BBX CAPITAL CORP
Form 10-Q
November 14, 2013
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission files number 001-13133

BBX CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Florida | 65-0507804 |
| (State or other jurisdiction of | (I.R.S. Employer |
| incorporation or organization) | Identification No.) |
| 401 East Las Olas Boulevard | 33301 |
| Fort Lauderdale, Florida | (Zip Code) |
| (Address of principal executive offices) | |

(954) 940-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. [X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] Small reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] YES [X] NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

| Title of Each Class | Outstanding at November 4, 2013 |
|---|---|
| Class A Common Stock, par value $0.01 per share | 16,208,088 |
| Class B Common Stock, par value $0.01 per share | 195,045 |

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED

| (In thousands, except share data) | | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| ASSETS | | | |
| Cash and interest bearing deposits in banks ($6,937 and $6,615 in Variable Interest Entity ("VIE")) | $ | 25,347 | 62,873 |
| Loans held for sale ($12,922 and $20,052 in VIE) | | 16,150 | 24,748 |
| Loans receivable, net of allowance for loan losses of $4,792 and $5,311 ($129,052 and $242,506, net of allowance of $3,838 and $4,003 in VIE) | | 175,989 | 292,562 |
| Investment in Woodbridge Holdings, LLC | | 80,519 | - |
| Real estate owned ($40,793 and $21,997 in VIE) | | 88,125 | 82,161 |
| Properties and equipment, net ($12,669 and $0 in VIE) | | 13,625 | 1,096 |
| Other assets ($1,389 and $5,038 in VIE) | | 9,353 | 7,263 |
| Total assets | $ | 409,108 | 470,703 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| BB&T preferred interest in FAR, LLC ($110,646 and $196,877 in VIE) | $ | 110,646 | 196,877 |
| Note payable to Woodbridge Holdings, LLC | | 11,750 | - |
| Notes payable | | 10,441 | 10,301 |
| Other liabilities ($14,280 and $13,603 in VIE) | | 24,271 | 23,201 |
| Total liabilities | | 157,108 | 230,379 |
| Commitments and contingencies (Note 10) | | | |
| Stockholders' Equity: | | | |
| Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding | | - | - |
| Class A common stock, $.01 par value, authorized 25,000,000 shares; issued and outstanding 15,778,088 and 15,577,464 shares | | 158 | 155 |

| | | |
|---|---|---|
| Class B common stock, $.01 par value, authorized 1,800,000 shares; issued and outstanding 195,045 and 195,045 shares | 2 | 2 |
| Additional paid-in capital | 344,456 | 331,097 |
| Accumulated deficit | (92,616) | (90,930) |
| Total stockholders' equity | 252,000 | 240,324 |
| Total liabilities and stockholders' equity | $ 409,108 | 470,703 |

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

| | | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| (In thousands, except share and per share data) | | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | |
| Interest income | $ | 2,541 | 4,236 | 7,959 | 19,858 |
| Income from unconsolidated companies | | - | 42 | - | 281 |
| Net gains on the sales of assets | | 912 | 492 | 5,162 | 956 |
| Other | | 1,502 | 155 | 2,387 | 251 |
| Total revenues | | 4,955 | 4,925 | 15,508 | 21,346 |
| Expenses: | | | | | |
| BB&T's priority return in FAR distributions | | 783 | 1,040 | 2,702 | 1,040 |
| Interest expense | | 336 | 1,402 | 839 | 9,695 |
| Provision for (reversals of) loan losses | | (4,433) | 257 | (3,502) | (1,135) |
| Employee compensation and benefits | | 3,224 | 6,669 | 9,659 | 16,197 |
| Occupancy and equipment | | 470 | 627 | 1,201 | 4,486 |
| Professional fees | | 2,526 | 1,843 | 5,895 | 11,279 |
| Asset impairments (reversals) | | (73) | 1,649 | 5,069 | 4,477 |
| Other | | 2,590 | 2,342 | 6,936 | 7,742 |
| Total expenses | | 5,423 | 15,829 | 28,799 | 53,781 |
| Equity earnings in Woodbridge Holdings, LLC | | 8,183 | - | 11,625 | - |
| Income (loss) from continuing operations before income taxes | | 7,715 | (10,904) | (1,666) | (32,435) |
| Provision (benefit) for income taxes | | 20 | (12,512) | 20 | (12,511) |
| Income (loss) from continuing operations | | 7,695 | 1,608 | (1,686) | (19,924) |
| Discontinued operations | | | | | |
| Income from discontinued operations | | - | 290,227 | - | 285,244 |
| Provision for income taxes | | - | 14,773 | - | 14,773 |
| Income from discontinued operations | | - | 275,454 | - | 270,471 |
| Net income (loss) | $ | 7,695 | 277,062 | (1,686) | 250,547 |
| Basic earnings (loss) per share | | | | | |
| Continuing operations | $ | 0.49 | 0.10 | (0.11) | (1.27) |
| Discontinued operations | | - | 17.49 | - | 17.23 |
| Basic earnings (loss) per share | $ | 0.49 | 17.59 | (0.11) | 15.96 |
| Diluted earnings (loss) per share | | | | | |
| Continuing operations | $ | 0.47 | 0.10 | (0.11) | (1.27) |
| Discontinued operations | | - | 17.49 | - | 17.23 |
| Diluted earnings (loss) per share | $ | 0.47 | 17.59 | (0.11) | 15.96 |
| Basic weighted average number of common shares outstanding | | 15,806,836 | 15,748,113 | 15,799,315 | 15,702,660 |
| Diluted weighted average number of common and common equivalent shares outstanding | | 16,525,013 | 15,748,113 | 15,799,315 | 15,702,660 |

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

| (In thousands, except share and per share data) | | For the Three Months Ended September 30, 2013 | 2012 | For the Nine Months Ended September 30, 2013 | 2012 |
|---|---|---|---|---|---|
| Net income (loss) | $ | 7,695 | 277,062 | (1,686) | 250,547 |
| Other comprehensive income, net of tax: | | | | | |
| Unrealized loss on securities available for sale, net of tax | | - | (75) | - | (659) |
| Net unrealized loss from settlement of defined benefit plan (less income tax benefit of $2,222) | | - | 22,428 | - | 22,428 |
| Net realized (gain) on securities available for sale (less income tax benefit of $39) | | - | (1,384) | - | (1,384) |
| Reclassification adjustments | | - | 21,044 | - | 21,044 |
| Other comprehensive income, net of tax | | - | 20,969 | - | 20,385 |
| Comprehensive income (loss) | $ | 7,695 | 298,031 | (1,686) | 270,932 |

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013 - UNAUDITED

| (In thousands) | | Common Stock | Additional Paid-in Capital | (Accumulated Deficit) | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| BALANCE, DECEMBER 31, 2011 | $ | 156 | 329,995 | (326,692) | (20,385) | (16,926) |
| Net income | | - | - | 250,547 | - | 250,547 |
| Other comprehensive income | | - | - | - | 20,385 | 20,385 |
| Share based compensation expense | | 1 | 722 | - | - | 723 |
| BALANCE, SEPTEMBER 30, 2012 | $ | 157 | 330,717 | (76,145) | - | 254,729 |
| | | | | | | |
| BALANCE, DECEMBER 31, 2012 | $ | 157 | 331,097 | (90,930) | - | 240,324 |
| Net loss | | - | - | (1,686) | - | (1,686) |
| Investment in Woodbridge Holdings, LLC | | - | 13,337 | - | - | 13,337 |
| Retirement of Class A common shares | | (1) | (1,646) | - | - | (1,647) |
| Share based compensation expense | | 4 | 1,668 | - | - | 1,672 |
| BALANCE, SEPTEMBER 30, 2013 | $ | 160 | 344,456 | (92,616) | - | 252,000 |

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

| | | For the Nine Months Ended September 30, | |
|---|---|---|---|
| (In thousands) | | 2013 | 2012 |
| Net cash (used in) provided by operating activities | $ | (7,057) | 14,379 |
| Investing activities: | | | |
| Proceeds from redemption of tax certificates | | 1,967 | 25,660 |
| Purchase of tax certificates | | (31) | (2,073) |
| Proceeds from sales of tax certificates | | 928 | - |
| Proceeds from maturities of securities available for sale | | - | 13,916 |
| Proceeds from maturities of interest bearing deposits | | 496 | 5,655 |
| Proceeds from sales of securities available for sale | | - | 32 |
| Redemptions of FHLB stock | | - | 9,980 |
| Net repayments of loans | | 83,380 | 322,050 |
| Proceeds from the sales of loans transferred to held for sale | | 1,100 | 1,000 |
| Additions to real estate owned | | - | (2,501) |
| Proceeds from sales of real estate owned | | 25,226 | 24,944 |
| Purchases of office property and equipment | | (76) | (343) |
| Proceeds from the sale of office properties and equipment | | - | 1,168 |
| Net cash outflow from sale of BankAtlantic | | - | (1,242,931) |
| Investment in real estate joint venture | | (1,300) | - |
| Investment in Woodbridge Holdings, LLC | | (60,404) | - |
| Return of Woodbridge Holdings, LLC investment | | 4,972 | - |
| Net cash provided by (used in) investing activities | | 56,258 | (843,443) |
| Financing activities: | | | |
| Net increase in deposits | | - | 178,831 |
| Repayment of BB&T preferred interest in FAR, LLC | | (86,231) | (76,014) |
| Net cash (used in) provided by financing activities | | (86,231) | 102,817 |
| Decrease in cash and cash equivalents | | (37,030) | (726,247) |
| Cash and cash equivalents at the beginning of period | | 62,377 | 764,636 |
| Cash and cash equivalents at end of period | $ | 25,347 | 38,389 |
| Cash paid (received) for: | | | |
| Interest on borrowings and deposits | $ | 3,394 | 60,767 |
| Income tax payments (refund) | | 20 | (1,053) |

| | | |
|---|---|---|
| Supplementary disclosure of non-cash investing and financing activities: | | |
| Assumption of TruPS obligation by BB&T | - | 285,000 |
| Retirement of Class A Common Stock in connection with share based compensation withholding tax obligation | 1,647 | - |
| Loans and tax certificates transferred to REO | 30,855 | 30,994 |
| Loans transferred to property and equipment | 12,834 | - |
| Tax certificates transferred to tax certificates held for sale | 494 | - |
| Note payable issued in connection with the investment in Woodbridge Holdings, LLC | 11,750 | - |
| Increase in additional paid-in-capital associated with the investment in Woodbridge Holdings, LLC | 13,337 | - |
| Loans receivable transferred to loans held-for-investment | 1,312 | 14,185 |
| Loans receivable transferred to loans held-for-sale | - | 35,209 |

See Notes to Consolidated Financial Statements - Unaudited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation is referred to herein as the "Parent Company" or "BBX Capital" and, together with its subsidiaries, is referred to as "the Company", "we", "us," or "our". BBX Capital was organized under the laws of the State of Florida in 1994. We are a Florida-based company, involved in the ownership, financing, acquisition, development and management of real estate and real estate related assets, and we are also involved in the investment in or acquisition of operating businesses. In addition, we anticipate engaging in joint venture arrangements with developers for residential and commercial development projects in which BBX Capital funds its equity investment in the real estate joint ventures through cash investments or by contributing real estate properties to a venture.

In April 2013, BBX Capital acquired a 46% equity interest in Woodbridge Holdings, LLC ("Woodbridge"). Woodbridge's principal asset is its ownership of Bluegreen Corporation and its subsidiaries ("Bluegreen"). Bluegreen is a vacation ownership company with 170,000 owners and over 61 owned or managed resorts. BFC Financial Corporation ("BFC"), the controlling shareholder of the Company, owns the remaining 54% of Woodbridge. In October 2013, a joint venture entity owned 81% by BBX Capital and 19% by BFC acquired substantially all of the assets and certain liabilities of Renin Corp ("Renin"). Renin manufactures interior closet doors, wall décor, hardware and fabricated glass products and operates through headquarters in Canada and four current manufacturing, assembly and distribution facilities in Canada, the United States and the United Kingdom (see Note 2 Acquisitions).

On May 7, 2013, BBX Capital entered into a definitive merger agreement (the "Merger Agreement") with BFC and BBX Merger Sub, LLC, a newly formed wholly owned subsidiary of BFC ("Merger Sub"). The Merger Agreement provides for BBX Capital to merge with and into Merger Sub (the "Merger"), with Merger Sub continuing as the surviving company of the Merger and a wholly owned subsidiary of BFC. Under the terms of the Merger Agreement, which has been approved by a special committee comprised of the Company's independent directors (the "Special Committee") as well as the full boards of directors of both BFC and the Company, the Company's shareholders (other than BFC and shareholders of the Company who exercise and perfect their appraisal rights in accordance with Florida law) will be entitled to receive 5.39 shares of BFC's Class A Common Stock in exchange for each share of the Company's Class A Common Stock that they hold at the effective time of the Merger (as such exchange ratio may be adjusted in accordance with the terms of the Merger Agreement, the "Exchange Ratio"). Each option to acquire shares of the Company's Class A Common Stock that is outstanding at the effective time of the Merger, whether or not then exercisable, will be converted into an option to acquire shares of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares which may be acquired upon exercise of the option will be multiplied by the Exchange Ratio and the exercise price of the option will be divided by the Exchange Ratio. In addition, each share of the Company's Class A Common Stock subject to a restricted stock award outstanding at the effective time of the Merger will be converted into a restricted share of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares subject to the award will be multiplied by the Exchange Ratio. Consummation of the Merger is subject to certain closing conditions, including, without limitation, the approval of BFC's and the Company's respective shareholders, BFC's Class A Common Stock being approved for listing on a national securities exchange (or interdealer quotation system of a registered national securities association) at the effective time of the Merger, holders of not more than 10% of the Company's Common Stock exercising appraisal rights, and the absence of any "Material Adverse Effect" (as defined in the Merger Agreement) with respect to either the Company or BFC.

The Company has two classes of common stock, Class A Common Stock and Class B Common Stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC currently owns 100% of the Company's Class B common stock and 52% of the Company's outstanding Class A common stock, which represents 52% of the Company's aggregate outstanding common stock and 72% of the voting power of the Company's common stock.

BBX Capital's principal asset until July 31, 2012 was its investment in BankAtlantic and its subsidiaries ("BankAtlantic"). BankAtlantic was a federal savings bank headquartered in Fort Lauderdale, Florida and provided traditional retail banking services and a wide range of commercial banking products and related financial services through a broad network of community branches located in Florida. On July 31, 2012, BBX Capital completed the sale to BB&T

Corporation (“BB&T”) of all of the issued and outstanding shares of capital stock of BankAtlantic (the stock sale and related transactions described below are collectively referred to as the “BB&T Transaction”).

Pursuant to the terms of the BB&T Transaction, BankAtlantic formed BBX Capital Asset Management, LLC (“CAM”) and Florida Asset Resolution Group, LLC (“FAR”). BankAtlantic contributed to FAR certain performing and non-performing loans, tax certificates and real estate owned that had an aggregate carrying value on BankAtlantic’s Consolidated Statement of Financial Condition of approximately $346 million as of July 31, 2012 (the date the BB&T Transaction was consummated). FAR assumed all liabilities related to these assets. BankAtlantic also contributed $50 million of cash to FAR on July 31, 2012. Prior to the closing of the BB&T Transaction, BankAtlantic distributed all of the membership interests in FAR to the Company. At the closing of the BB&T Transaction, the Company transferred to BB&T 95% of the outstanding preferred membership interests in FAR in connection with BB&T’s assumption of the Company’s then outstanding trust preferred securities (“TruPS”) obligations. The Company continues to hold the remaining 5% of FAR’s preferred membership interests. BB&T will hold its 95% preferred interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum on any unpaid preference amount. At that time, BB&T’s interest in FAR will terminate, and the Company will thereafter own 100% of FAR through its ownership of FAR’s Class R units. The Company entered into an incremental $35 million guarantee in BB&T’s favor to further assure BB&T’s recovery of the $285 million preferred interest within seven years. At September 30, 2013, BB&T’s preferred interest in FAR was approximately $110.6 million.

Prior to the closing of the BB&T Transaction, BankAtlantic contributed to CAM certain non-performing commercial loans, commercial real estate owned and previously written-off assets that had an aggregate carrying value on BankAtlantic’s Consolidated Statement of Financial Condition of $125 million as of July 31, 2012. CAM assumed all liabilities related to these assets. BankAtlantic also contributed $82 million of cash to CAM on July 31, 2012. Prior to the closing of the BB&T Transaction, BankAtlantic distributed all of the membership interests in CAM to the Company. CAM remains a wholly-owned subsidiary of the Company.

BankAtlantic’s historical Community Banking, Investment, Capital Services and Tax Certificate reporting units are reflected as “Discontinued Operations” in the Company’s unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2012. The Company has continued to service and manage and may originate commercial loans following the sale of BankAtlantic to BB&T. As a result, the historical operations for BankAtlantic’s commercial lending reporting unit are included in the Company’s unaudited Consolidated Statement of Operations as continuing operations for the three and nine months ended September 30, 2012. The Consolidated Statement of Stockholders’ Equity, Consolidated Statements of Comprehensive Income and Consolidated Statement of Cash Flows remain unchanged from the historical presentation for the nine months ended September 30, 2012.

The Company’s consolidated financial statements have been prepared on a going concern basis, which reflects the realization of assets and the repayments of liabilities in the normal course of business.

Included in cash and due from banks in the Company's Consolidated Statement of Financial Condition as of December 31, 2012 was $0.5 million of time deposits with other banks. These time deposits had original maturities of greater than 90 days and accordingly are not considered cash equivalents.

All significant inter-company balances and transactions have been eliminated in consolidation. Throughout this document, the term "fair value" in each case is an estimate of fair value as discussed herein.

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of the Company's consolidated financial condition at September 30, 2013, the consolidated results of operations and consolidated statement of comprehensive income for the three and nine months ended September 30, 2013 and 2012, and the consolidated stockholders' equity and cash flows for the nine months ended September 30, 2013 and 2012. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of results of operations that may be expected for the subsequent interim period during 2013 or for the year ended December 31, 2013. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2013.

Subsequent Events - In June 2013, CAM entered into a settlement agreement with respect to litigation between CAM and Daniel S. Catalfumo and certain members of his family and affiliated entities (collectively, "Catalfumo") relating to the Company's lending relationship with Catalfumo. The agreement was amended on October 21, 2013. Pursuant to the terms of the amended settlement agreement, Catalfumo has agreed to pay CAM $30 million in cash plus accrued interest, of which $22 million was paid to the Company on November 4, 2013 and the remaining $8 million payment plus accrued interest is anticipated to be repaid during the fourth quarter of 2013 and is due no later than April 10, 2014. Catalfumo also agreed to transfer to CAM certain properties with an aggregate carrying value of $10.3 million as of September 30, 2013. The receipt by the Company of the $22 million cash payment will result in a gain of approximately $22 million in the 2013 fourth quarter. Commencing on December 3, 2013, any portion of the remaining $8 million not paid accrues interest at 24.95% per annum. There is no assurance that Catalfumo will make the remaining agreed upon payments and transfers in accordance with the terms of the amended settlement agreement. If Catalfumo does not comply with the terms of the settlement agreement CAM would proceed with its litigation against Catalfumo.

On October 8, 2013, the Company granted 430,000 restricted shares of Class A common stock ("RSA") to certain of its executive officers under the 2005 Restricted Stock and Option Plan. The grant date fair value was calculated based on the closing price of the Company's Class A common stock on the grant date. The RSAs cliff vest on October 8, 2017 and had a fair value of $13.33 per share at the grant date.

In November 2013, FAR entered into a settlement agreement with a borrower providing for the payment of $23.3 million by a borrower in satisfaction of the borrower's loan obligations. The recorded investment on these loan obligations was $12.4 million as of September 30, 2013. The agreement requires the borrower to pay the funds to FAR during the fourth quarter of 2013. However, there is no assurance that the borrower will make the agreed upon payment at the time or in the amount required by the settlement agreement, if at all. Any receipt of funds by FAR would be utilized to pay FAR's operating expenses and pay down the preferred membership interests in FAR in accordance with the terms of FAR's operating agreement.

2. Acquisitions

On April 2, 2013, the Company invested $71.75 million in Woodbridge in exchange for a 46% equity interest in Woodbridge. The investment was made in connection with Woodbridge's acquisition on April 2, 2013 of the publicly held shares of Bluegreen. BFC holds the remaining 54% of Woodbridge's outstanding equity interests. The Company's investment in Woodbridge consisted of $60.4 million in cash (including $0.4 million in transaction costs) and a promissory note in Woodbridge's favor in the principal amount of $11.75 million (the "Note"). The Note has a term of five years, accrues interest at a rate of 5% per annum and requires the Company to make payments of interest only on a quarterly basis during the term of the Note, with all outstanding amounts being due and payable at the end of the five-year term. In connection with the Company's investment in Woodbridge, the Company and BFC entered into an Amended and Restated Operating Agreement of Woodbridge, which sets forth the Company's and BFC's respective rights as members of Woodbridge and provides, among other things, for unanimity on certain specified "major decisions" and for distributions to be made on a pro rata basis in accordance with the Company's and BFC's percentage equity interests in Woodbridge.

The Company's investment in Woodbridge is accounted for under the equity method. Under the equity method, an investment is shown on the Statement of Financial Condition of an investor as a single amount and an investor's share of earnings or losses from its investment is shown in the Statement of Operations as a single amount. The investment is initially measured at cost and adjusted for the investor's share of the earnings or losses of the investee as well as dividends received from the investee. The investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend.

The Company's investment in Woodbridge was accounted for as a transaction between entities under common control as BFC is the controlling shareholder of the Company and Woodbridge. As a consequence, the investment in Woodbridge was recorded by the Company at BFC's historical costs and the difference between 46% of BFC's historical cost in Woodbridge ($85.1 million) and the amount the Company invested in Woodbridge ($71.75 million) was recognized as an increase in additional paid-in capital ($13.34 million) in the Company's financial statements.

BBX Capital Corporation and Subsidiaries

The following are the components of the Company's initial investment in Woodbridge and the adjustments to the investment in Woodbridge under the equity method for the three months ended September 30, 2013 and from the date of the investment (April 2, 2013) through September 30, 2013 (in thousands).

| | For the Three Months Ended September 30, 2013 | From April 2, 2013 Through September 30, 2013 |
|---|---|---|
| Cash to Woodbridge | $ - | 60,404 |
| Note payable to Woodbridge | - | 11,750 |
| Increase in additional paid-in capital | - | 13,337 |
| Investment in Woodbridge - Beginning of period | 80,140 | 85,491 |
| Equity earnings in Woodbridge | 8,183 | 11,625 |
| Dividends received from Woodbridge | (7,804) | (16,597) |
| Investment in Woodbridge - September 30, 2013 | $ 80,519 | 80,519 |

The following is Woodbridge's summarized Consolidated Statements of Operations for the three months ended September 30, 2013 and from April 2, 2013 through September 30, 2013:

Woodbridge Holdings, LLC
Consolidated Statements of Operations - Unaudited
(In thousands)

| | For the Three Months Ended September 30, 2013 | From April 2, 2013 Through September 30, 2013 |
|---|---|---|
| Revenues: | | |
| Total revenues | $ 148,281 | 280,157 |
| Costs and expenses: | | |
| Total costs and expenses | 115,420 | 230,801 |
| Other income | 388 | 746 |
| Income from continuing operations before taxes | 33,249 | 50,102 |
| Provision for income taxes | (11,532) | (17,072) |
| Income from continuing operations | 21,717 | 33,030 |
| Discontinued operations: | | |
| Loss from discontinued operations, net of taxes | (192) | (270) |
| Net income | 21,525 | 32,760 |
| Net income attributable to noncontrolling interest | (3,735) | (7,487) |
| Net income attributable to Woodbridge | 17,790 | 25,273 |
| BBX Capital equity interest in Woodbridge | 46% | 46% |
| Equity earnings in Woodbridge | $ 8,183 | 11,625 |

During April 2013, FAR acquired two climate controlled storage facilities located in Fort Lauderdale, Florida in connection with the foreclosure of loans secured by these properties. FAR decided to retain and, with BBX Capital's assistance, manage these facilities and upon foreclosure recorded the facilities in properties and equipment in the Company's Statement of Financial Condition measured at an estimated aggregate fair value of $12.8 million.

On October 30, 2013, a newly formed joint venture entity owned 81% by the Company and 19% by BFC acquired, through two newly formed subsidiaries (collectively, the "Purchasers"), substantially all of the assets and certain liabilities of Renin Corp ("Renin") for approximately $14.6 million (the "Renin Transaction Consideration"). The Renin Transaction Consideration is subject to adjustment, based on the verification of Renin's working capital as of the closing and certain post-closing indemnities. Bluegreen funded approximately $9.4 million of the Renin Transaction Consideration in the form

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of a loan and revolver facility to the Purchasers. The Purchasers are seeking to refinance the Bluegreen facilities with an unrelated third party, although the Purchasers may not be successful in doing so. The remainder of the Renin Transaction Consideration was funded $4.2 million by BBX Capital and $1.0 million by BFC pro rata in accordance with their percentage equity interests. At closing, $1.7 million of the Renin Transaction Consideration was placed in an escrow account pending final determination of the working capital adjustment (if any) and final resolution of any indemnification obligations of Renin.

Renin manufactures interior closet doors, wall décor, hardware and fabricated glass products and operates through headquarters in Canada and four current manufacturing, assembly and distribution facilities in Canada, the United States and the United Kingdom. The acquired assets include inventory, trade accounts receivable, property, plant and equipment and intellectual property and other intangible assets with an estimated carrying value, subject to adjustment, of $23 million. The liabilities assumed were generally those related to the Renin's ordinary course business operations and certain accrued employee benefits. Additionally, the Purchasers offered employment to Renin's current employees on substantially the same terms as in effect prior to the closing.

3. Discontinued Operations

BankAtlantic's five reporting units each reflected a component of the BankAtlantic entity and was the lowest level for which cash flows could be clearly distinguished, operationally and for financial reporting purposes. These five components were Community Banking, Commercial Lending, Tax Certificates, Investments, and Capital Services. Based on the terms of the sale of BankAtlantic to BB&T, the Company determined that the Community Banking, Investments, Capital Services and Tax Certificates reporting units should be treated as discontinued operations. The Company sold all operations and the majority of the assets and liabilities of these discontinued reporting units to BB&T upon consummation of the BB&T Transaction on July 31, 2012. Management does not intend to continue in any material respect any activities of or have any continuing involvement with these reporting units. Although certain assets of the Commercial Lending reporting unit were sold to BB&T, the Company has continued Commercial Lending reporting unit activities resulting in the Company including the Commercial Lending reporting unit in continuing operations in the Company's Statements of Operations.

Pursuant to the sale to BB&T, in addition to certain assets associated with the Company's continuing Commercial Lending reporting unit, FAR also retained certain assets and liabilities that were associated with the Company's disposed reporting units (Community Banking, Tax Certificates, Investments, and Capital Services reporting units). The Company determined that the ongoing cash flows relating to the retained assets of the disposed reporting units expected in future periods were not significant relative to the historical cash flows from the activities of each reporting unit; therefore, the income and expenses associated with the disposed reporting units are reported in discontinued operations for the three and nine months ended September 30, 2012. The results of operations and cash flows associated with the retained assets associated with the disposed reporting units were included in continuing operations for the three and nine months ended September 30, 2013.

The income from Community Banking, Investments, Capital Services and Tax Certificates reporting units included in discontinued operations for the three and nine months ended September 30, 2012 was as follows (in thousands):

| | | For the Three Months Ended September 30, 2012 | For the Nine Months Ended September 30, 2012 |
|---|---|---|---|
| Net interest income | $ | 5,235 | 37,384 |
| Provision for loan losses | | 1,865 | 18,383 |
| Net interest income after provision for loan losses | | 3,370 | 19,001 |
| Gain on sale of BankAtlantic | | 290,642 | 290,642 |
| Total non-interest income | | 4,978 | 37,235 |
| Total non-interest expense (1) | | 8,763 | 61,634 |
| Income from discontinued operations before provision for income taxes | | 290,227 | 285,244 |
| Provision for income taxes | | 14,773 | 14,773 |
| Income from discontinued operations | $ | 275,454 | 270,471 |

(1) General corporate overhead was allocated to continuing operations.

4. Variable Interest Entity - FAR

In consideration for BB&T assuming the Company's $285.4 million in principal amount of TruPS, BB&T received from the Company at the closing of the BB&T Transaction a 95% preferred membership interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum. At that time, BB&T's interest in FAR will terminate, and the Company, which initially holds a 5% preferred membership interest in the net cash flows of FAR, will thereafter own 100% of FAR. The Company provided BB&T with an incremental $35 million guarantee to further assure BB&T's recovery of the $285 million preference amount within seven years. At September 30, 2013, BB&T's preferred interest in FAR had been reduced to approximately $110.6 million.

The Company’s variable interests in FAR include its 5% preferred membership interest in the cash flows of FAR, rights to 100% ownership of FAR, and the incremental $35 million guarantee in favor of BB&T. The Company also services approximately $15.9 million of FAR’s commercial loans, $12.7 million of FAR’s properties and equipment and $9.7 million of FAR’s real estate owned. The Company has a right of first refusal to acquire certain FAR commercial loans. It can also purchase certain commercial loans on a basis established in FAR’s operating agreement.

The Company determined that it was the primary beneficiary of FAR and therefore should consolidate FAR in its financial statements. This conclusion was based primarily on the determination that the Company has the right to receive any appreciation of the assets of FAR through its rights to the residual cash flows of FAR and has the obligation to absorb losses as well as its obligation under the incremental $35 million guarantee to BB&T assuring the repayment of BB&T’s preferred interest in FAR. Also contributing to the Company’s determination that it was the primary beneficiary of FAR was its ability to direct the activities relating to the commercial loans that it services, its ability to purchase certain commercial loans, and its right of first refusal in connection with the disposition of certain commercial loans.

BB&T’s preferred equity interest in FAR only entitles it to a $285 million preference amount plus the related priority return. Based on the amended and restated limited liability company agreement, FAR is required to make quarterly distributions, or more frequently as approved by FAR’s Board of Managers, of excess cash flows from its operations and the orderly disposition of its assets to redeem the preferred membership interests in FAR. As such, the Class A units, which represent the preferred interest in FAR, are considered mandatorily redeemable and are reflected as debt obligations in the

Company's Consolidated Statement of Financial Condition and the priority return is considered interest expense in the Company's Consolidated Statements of Operations.

The activities of FAR are governed by the amended and restated limited liability company agreement which grants the Board of Managers management authority over FAR. The Board has four members, two members elected by the Company and two members elected by BB&T. Any action on matters before the Board requires three of the members' approval. BB&T members will resign from the Board upon the full redemption of its preferred interest in FAR.

The carrying amount of the assets and liabilities of FAR and the classification of these assets and liabilities in the Company's Consolidated Statements of Financial Condition was as follows (in thousands):

| | | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| Cash and interest bearing deposits in banks | $ | 6,937 | 6,615 |
| Loans held for sale | | 12,922 | 20,052 |
| Loans receivable, net | | 129,052 | 242,506 |
| Real estate owned | | 40,793 | 21,997 |
| Office properties and equipment | | 12,669 | - |
| Other assets (1) | | 1,389 | 5,038 |
| Total assets | $ | 203,762 | 296,208 |
| BB&T preferred interest in FAR, LLC | $ | 110,646 | 196,877 |
| Other liabilities | | 14,280 | 13,603 |
| Total liabilities | $ | 124,926 | 210,480 |

(1) Included in other assets as of September 30, 2013 and December 31, 2012 was $0.8 million and $3.4 million of tax certificates, net of allowance of $0.6 million and $3.6 million, respectively.

Until BB&T's preference amount is repaid, the proceeds from the monetization of FAR's assets are restricted to payments of expenses, including the priority return and estimated working capital requirements of FAR, and the repayment of FAR's preferred membership interests. FAR currently anticipates making distributions at least quarterly. The Company will receive 5% of such distributions. FAR finances its activities through revenues from principal and interest payments received on, and the monetization of, its assets.

The Company's maximum loss exposure in FAR if all of FAR's assets were deemed worthless would have been $114 million as of September 30, 2013, consisting of $79 million of net assets plus the $35 million incremental guarantee.

5. Liquidity Considerations

The Company’s cash was $18.4 million at September 30, 2013. This does not include $6.9 million of cash held in FAR. The Company had $9.1 million of current liabilities as of September 30, 2013. The Company’s principal source of liquidity is its cash holdings, funds obtained from payments on and sales of its loans, loan payoffs, sales of real estate owned, income from income producing real estate, and distributions received from FAR and Woodbridge. While FAR is consolidated in the Company’s financial statements, the cash held in FAR and generated from its assets will be used primarily to pay FAR’s operating expenses and to pay BB&T’s 95% preferred membership interest and the related priority return and will generally not be available for distribution to the Company. The balance of BB&T’s preferred membership interest in FAR was approximately $110.6 million at September 30, 2013. Based on current and expected liquidity needs and sources, the Company expects to be able to meet its liquidity needs over the next twelve months.

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6. Fair Value Measurement

There were no assets or liabilities measured at fair value on a recurring basis in the Company's financial statements as of September 30, 2013 or December 31, 2012.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of September 30, 2013 (in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| Description | September 30, 2013 | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Impairments (1) For the Nine Months Ended |
| Loans measured for impairment using the fair value of the underlying collateral | $ 24,154 | - | - | 24,154 | 4,565 |
| Impaired real estate owned | 48,803 | - | - | 48,803 | 2,287 |
| Impaired loans held for sale | 12,922 | - | - | 12,922 | 925 |
| Total | $ 85,879 | - | - | 85,879 | 7,777 |

(1) Total impairments represent the amount of losses recognized during the nine months ended September 30, 2013 on assets that were held and measured at fair value on a non-recurring basis as of September 30, 2013.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured on a non-recurring basis is as follows (dollars in thousands):

| As of September 30, 2013 Description | Fair Value | Valuation Technique | Unobservable Inputs | Range (Average) (1) |
|---|---|---|---|---|
| Loans measured for impairment using the fair value of the underlying collateral | $ 24,154 | Fair Value of Collateral | Appraisal | $0.1 - 9.0 million (0.4 million) |
| Impaired real estate owned | 48,803 | Fair Value of Property | Appraisal | $0.1 - 12.0 million (1.9 million) |

| | | | | |
|---|---|---|---|---|
| Impaired loans held for sale | 12,922 | Fair Value of Collateral | Appraisal | $0.1 - 2.2 million (0.4 million) |
| Total | $ 85,879 | | | |

(1) Average was computed by dividing the aggregate appraisal amounts by the number of appraisals.

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The following table presents major categories of assets measured at fair value on a non-recurring basis as of September 30, 2012 (in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| Description | September 30, 2012 | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Impairments (1) For the Three Months Ended |
| Impaired loans using the fair value of the underlying collateral | $ 60,492 | - | - | 60,492 | 4,869 |
| Impaired real estate owned | 36,494 | - | - | 36,494 | 4,302 |
| Impaired loans held for sale | 16,559 | - | - | 16,559 | 1,097 |
| Total | $ 113,545 | - | - | 113,545 | 10,268 |

(1) Total impairments represent the amount of losses recognized during the nine months ended September 30, 2012 on assets that were held and measured at fair value on a non-recurring basis as of September 30, 2012.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured on a non-recurring basis is as follows (dollars in thousands):

| As of September 30, 2012 Description | Fair Value | Valuation Technique | Unobservable Inputs | Range (Average) (1) |
|---|---|---|---|---|
| Impaired loans using the fair value of the underlying collateral | $ 60,492 | Fair Value of Property | Appraisal | $0.3 - 4.6 million (3.4 million) |
| Impaired real estate owned | 36,494 | Fair Value of Property | Appraisal | $0.1 - 7.8 million (2.6 million) |
| Impaired loans held for sale | 16,559 | Fair Value of Collateral | Appraisal | $0.3 - 4.3 million (2.4 million) |
| Total | $ 113,545 | | | |

(1) Average was computed by dividing the aggregate appraisal amounts by the number of appraisals.

Loans Measured For Impairment

Impaired loans are generally valued based on the fair value of the underlying collateral less cost to sell. The fair value of our loans may significantly increase or decrease based on changes in property values as our loans are primarily secured by real estate.  The Company primarily uses third party appraisals to assist in measuring non-homogenous impaired loans. These appraisals generally use the market or income approach valuation technique and use market observable data to formulate an opinion of the fair value of the loan's collateral. However, the appraiser uses professional judgment in determining the fair value of the collateral or properties, and we may also adjust these values for changes in market conditions subsequent to the appraisal date. When current appraisals are not available for certain loans, we use our judgment on market conditions to adjust the most current appraisal. The sales prices may reflect prices of sales contracts not closed, and the amount of time required to sell out the real estate project may be derived from current appraisals of similar projects. The Company generally recognizes impairment losses on homogenous loans based on third party broker price opinions or automated valuation services when impaired homogenous loans become 120 days delinquent. These third party valuations from real estate professionals also use Level 3 inputs in determining fair values. The observable market inputs used to fair value loans include comparable property sales, rent rolls, market capitalization rates on income producing properties, risk adjusted discounts rates and foreclosure timeframes and exposure periods.  As a consequence, the calculation of the fair value of the collateral is considered Level 3 inputs.

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Impaired Real Estate Owned

Real estate owned is generally valued using third party appraisals or broker price opinions. These appraisals generally use the market approach valuation technique and use market observable data to formulate an opinion of the fair value of the properties. The market observable data typically consists of comparable property sales, rent rolls, market capitalization rates on income producing properties and risk adjusted discount rates. However, the appraisers or brokers use professional judgments in determining the fair value of the properties and we may also adjust these values for changes in market conditions subsequent to the valuation date. As a consequence of using appraisals, broker price opinions and adjustments to appraisals, the fair values of the properties are considered Level 3 inputs.

Loans Held for Sale

Loans held for sale are valued using an income approach with Level 3 inputs as market quotes or sale transactions of similar loans are generally not available. The fair value is estimated by discounting forecasted cash flows, using a discount rate that reflects the risks inherent in the loans held for sale portfolio. For non-performing loans held for sale, the forecasted cash flows are based on the estimated fair value of the collateral less cost to sell adjusted for foreclosure expenses and other operating expenses of the underlying collateral until foreclosure or sale.

Financial Disclosures about Fair Value of Financial Instruments

| | | | Fair Value Measurements Using | | |
|---|---|---|---|---|---|
| (in thousands) Description | Carrying Amount As of September 30, 2013 | Fair Value As of September 30, 2013 | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial assets: | | | | | |
| Cash and interest bearing deposits in banks | $ 25,347 | 25,347 | 25,347 | - | - |
| Loans receivable including loans held for sale, net | 192,139 | 208,736 | - | - | 208,736 |

| | | | | | |
|---|---|---|---|---|---|
| Financial liabilities: | | | | | |
| Notes payable | 10,441 | 11,585 | - | - | 11,585 |
| Note Payable Woodbridge | 11,750 | 11,414 | - | - | 11,414 |
| BB&T preferred interest in FAR | 110,646 | 111,747 | - | - | 111,747 |

| | | | Fair Value Measurements Using | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (in thousands) Description | As of December 31, 2012 | As of December 31, 2012 | | | |
| Financial assets: | | | | | |
| Cash and interest bearing deposits in other banks | $ 62,873 | 62,873 | 62,873 | - | - |
| Loans receivable including loans held for sale, net | 317,310 | 316,075 | - | - | 316,075 |
| Financial liabilities: | | | | | |
| Notes payable | 10,301 | 10,301 | - | - | 10,301 |
| BB&T preferred interest in FAR | 196,877 | 201,099 | - | - | 201,099 |

Management has made estimates of fair value that it believes to be reasonable. However, because there is no active market for many of these financial instruments, management has derived the fair value of the majority of these financial instruments using the income approach technique with Level 3 unobservable inputs. Management estimates used in its net present value financial models rely on assumptions and judgments regarding issues where the outcome is unknown and actual results or values may differ significantly from these estimates. The Company’s fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates. As such, the Company may not receive the estimated value upon sale or disposition of the asset or pay the estimated value upon disposition of the liability in advance of its scheduled maturity.

Interest-bearing deposits in other banks include $0.5 million of certificates of deposits guaranteed by the FDIC with maturities of less than one year as of December 31, 2012. Due to the FDIC guarantee and the short-term maturity of these certificates of deposit, the fair value of these deposits approximates the carrying value.

Fair values are estimated for loan portfolios with similar financial characteristics. Loans are segregated by category, and each loan category is further segmented into performing and non-performing categories.

The fair value of performing loans is calculated by using an income approach with Level 3 inputs. The fair value of performing loans is estimated by discounting forecasted cash flows through the estimated maturity using estimated market discount rates that reflect the interest rate risk inherent in the loan portfolio. The fair value of non-performing collateral dependent loans is estimated using an income approach with Level 3 inputs. The fair value of non-performing loans utilizes the fair value of the collateral adjusted for operating and selling expenses and discounted over the estimated holding period.

BB&T preferred interest in FAR is considered an adjustable rate debt security. The fair value of the security is calculated using the income approach with Level 3 inputs and was obtained by discounting forecasted cash flows by risk adjusted market interest rate spreads to the LIBOR swap curve. The market spreads were obtained from reference data in the secondary institutional market place.

The fair value of notes payable and note payable-Woodbridge were measured using the income approach with Level 3 inputs and was obtained by discounting the forecasted cash flows based on risk adjusted market interest rates.

BBX Capital Corporation and Subsidiaries

7. Loans Receivable

The loan portfolio consisted of the following (in thousands):

| | | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| Commercial non-real estate | $ | 10,350 | 12,006 |
| Commercial real estate: | | | |
| Residential | | 40,091 | 62,523 |
| Other | | 70,776 | 151,524 |
| Consumer | | 13,963 | 16,907 |
| Residential: | | | |
| Residential-interest only | | 15,117 | 17,798 |
| Residential-amortizing | | 30,352 | 36,999 |
| Total gross loans | | 180,649 | 297,757 |
| Adjustments: | | | |
| Premiums, discounts and net deferred fees | | 132 | 116 |
| Allowance for loan losses | | (4,792) | (5,311) |
| Loans receivable -- net | $ | 175,989 | 292,562 |

The recorded investment (unpaid principal balance less charge-offs and deferred fees) of non-accrual loans receivable was (in thousands):

| Loan Class | | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| Commercial non-real estate | $ | 3,331 | 3,362 |
| Commercial real estate: | | | |
| Residential | | 39,080 | 60,937 |
| Other | | 50,967 | 79,014 |
| Consumer | | 5,796 | 7,859 |
| Residential: | | | |

| | | |
|---|---|---|
| Interest only | 14,103 | 16,115 |
| Amortizing | 26,070 | 28,507 |
| Total nonaccrual loans | $ 139,347 | 195,794 |

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An age analysis of the past due recorded investment in loans receivable as of September 30, 2013 and December 31, 2012 was as follows (in thousands):

| September 30, 2013 | | 31-59 Days Past Due | 60-89 Days Past Due | 90 Days or More (1) | Total Past Due | Current | Total Loans Receivable |
|---|---|---|---|---|---|---|---|
| Commercial non-real estate | $ | - | 1,063 | 2,269 | 3,332 | 7,018 | 10,350 |
| Commercial real estate: | | | | | | | |
| Residential | | 3,977 | - | 25,831 | 29,808 | 10,283 | 40,091 |
| Other | | - | 323 | 26,676 | 26,999 | 43,777 | 70,776 |
| Consumer | | 634 | 504 | 5,123 | 6,261 | 7,702 | 13,963 |
| Residential: | | | | | | | |
| Residential-interest only | | 39 | - | 12,511 | 12,550 | 2,567 | 15,117 |
| Residential-amortizing | | 1,521 | 177 | 21,882 | 23,580 | 6,772 | 30,352 |
| Total | $ | 6,171 | 2,067 | 94,292 | 102,530 | 78,119 | 180,649 |

(1) The Company had no loans that were past due greater than 90 days and still accruing interest as of September 30, 2013.

| December 31, 2012 | | 31-59 Days Past Due | 60-89 Days Past Due | 90 Days or More (1) | Total Past Due | Current | Total Loans Receivable |
|---|---|---|---|---|---|---|---|
| Commercial non-real estate | $ | 2,411 | - | 3,362 | 5,773 | 6,233 | 12,006 |
| Commercial real estate: | | | | | | | |
| Residential | | 842 | 1,716 | 50,634 | 53,192 | 9,331 | 62,523 |
| Other | | - | 5,843 | 30,102 | 35,945 | 115,579 | 151,524 |
| Consumer | | 677 | 524 | 7,165 | 8,366 | 8,541 | 16,907 |
| Residential: | | | | | | | |
| Residential-interest only | | 397 | - | 16,115 | 16,512 | 1,286 | 17,798 |
| Residential-amortizing | | 984 | 1,520 | 28,052 | 30,556 | 6,443 | 36,999 |
| Total | $ | 5,311 | 9,603 | 135,430 | 150,344 | 147,413 | 297,757 |

(1) The Company had no loans that were past due greater than 90 days and still accruing interest as of December 31, 2012.

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BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended September 30, 2013 was as follows (in thousands):

| | Commercial Non-Real Estate | Commercial Real Estate | Small Business | Consumer | Residential | Total |
|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | |
| Beginning balance | $ 1,384 | 972 | - | 2,725 | 163 | 5,244 |
| Charge-off : | - | (227) | - | (241) | (141) | (609) |
| Recoveries : | 53 | 3,596 | 73 | 289 | 579 | 4,590 |
| Provision: | 116 | (3,992) | (73) | (225) | (259) | (4,433) |
| Ending balance | $ 1,553 | 349 | - | 2,548 | 342 | 4,792 |
| Ending balance individually evaluated for impairment | $ 954 | - | - | - | - | 954 |
| Ending balance collectively evaluated for impairment | 599 | 349 | - | 2,548 | 342 | 3,838 |
| Total | $ 1,553 | 349 | - | 2,548 | 342 | 4,792 |
| Loans receivable: | | | | | | |
| Ending balance individually evaluated for impairment | $ 3,332 | 90,750 | - | 4,921 | 40,146 | 139,149 |
| Ending balance collectively evaluated for impairment | $ 7,018 | 20,117 | - | 9,042 | 5,323 | 41,500 |
| Total | $ 10,350 | 110,867 | - | 13,963 | 45,469 | 180,649 |
| Purchases of loans | $ - | - | - | - | - | - |
| Proceeds from loan sales | $ - | - | - | - | - | - |
| Transfer to loans held for sale | $ - | - | - | - | - | - |
| Transfer from loans held for sale | $ - | - | - | - | (1,312) | (1,312) |

BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended September 30, 2012 was as follows (in thousands):

| | Commercial Non-Real Estate | Commercial Real Estate | Small Business | Consumer | Residential | Total |
|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | |
| Beginning balance | $ 800 | 4,383 | 1,326 | 407 | 237 | 7,153 |
| Charge-offs: | (1,376) | (558) | (1,619) | (615) | (1,091) | (5,259) |
| Recoveries : | 421 | 2,992 | 155 | 40 | 700 | 4,308 |
| Provision : | 2,084 | (3,371) | 306 | 896 | 342 | 257 |
| Discontinued operations provision: | - | 70 | (168) | 63 | 171 | 136 |
| Ending balance | $ 1,929 | 3,516 | - | 791 | 359 | 6,595 |
| Ending balance individually evaluated for impairment | $ 1,490 | 1,586 | - | - | - | 3,076 |
| Ending balance collectively evaluated for impairment | 439 | 1,930 | - | 791 | 359 | 3,519 |
| Total | $ 1,929 | 3,516 | - | 791 | 359 | 6,595 |
| Loans receivable: | | | | | | |
| Ending balance individually evaluated for impairment | $ 6,620 | 176,383 | - | 8,010 | 38,904 | 229,917 |
| Ending balance collectively evaluated for impairment | $ 5,115 | 46,912 | - | 10,938 | 21,512 | 84,477 |
| Total | $ 11,735 | 223,295 | - | 18,948 | 60,416 | 314,394 |
| Purchases of loans | $ - | - | - | - | - | - |
| Proceeds from loan sales | $ - | - | 19,069 | - | - | 19,069 |
| Transfer from loans held for sale | $ - | - | - | - | (14,185) | (14,185) |

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BBX Capital Corporation and Subsidiaries

The activity in allowance for loan losses by portfolio segment for the nine months ended September 30, 2013 was as follows (in thousands):

| | | Commercial Non-Real Estate | Commercial Real Estate | Small Business | Consumer | Residential | Total |
|---|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | | |
| Beginning balance | $ | 1,735 | 1,869 | - | 1,261 | 446 | 5,311 |
| Charge-off : | | - | (3,915) | - | (1,528) | (589) | (6,032) |
| Recoveries : | | 308 | 5,743 | 189 | 1,306 | 1,469 | 9,015 |
| Provision : | | (490) | (3,348) | (189) | 1,509 | (984) | (3,502) |
| Ending balance | $ | 1,553 | 349 | - | 2,548 | 342 | 4,792 |
| Proceeds from loan sales | $ | - | 1,100 | - | - | - | 1,100 |
| Transfer to held for sale | $ | - | - | - | - | - | - |
| Transfer from loans held for sale | $ | - | - | - | - | (1,312) | (1,312) |

The activity in the allowance for loan losses by portfolio segment for the nine months ended September 30, 2012 was as follows (in thousands):

| | | Commercial Non-Real Estate | Commercial Real Estate | Small Business | Consumer | Residential | Total |
|---|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | | |
| Beginning balance | $ | 16,407 | 67,054 | 7,168 | 22,554 | 16,704 | 129,887 |
| Charge-off : | | (15,991) | (53,839) | (3,991) | (8,028) | (12,847) | (94,696) |
| Recoveries : | | 861 | 4,623 | 425 | 1,071 | 1,977 | 8,957 |
| Provision : | | 2,549 | (5,228) | 306 | 896 | 342 | (1,135) |
| Transfer to held for sale: | | (1,897) | (9,164) | (4,454) | (20,639) | (12,491) | (48,645) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Discontinued operations provision: | - | 70 | 546 | 4,937 | 6,674 | 12,227 |
| Ending balance | $ 1,929 | 3,516 | - | 791 | 359 | 6,595 |
| Purchases of loans | $ - | - | - | - | - | - |
| Proceeds from loan sales | $ - | 1,000 | - | - | - | 1,000 |
| Transfer to held for sale | $ - | - | 35,209 | - | - | 35,209 |
| Transfer from loans held for sale | $ - | - | - | - | (14,185) | (14,185) |

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During the first quarter of 2012 the Company charged down the recorded investment of loans by $66.5 million to the fair value of the collateral less cost to sell based on OCC guidance to thrifts regarding specific valuation allowances on collateral dependent loans. This charge down consisted entirely of the charging off of existing specific valuation allowances. As a specific valuation allowance was previously established for these loans, the charge-offs did not impact the provision for loan losses or the net loss during the three months ended March 31, 2012, but did reduce the Company's allowance for loan losses and recorded investment in the loans.

Impaired Loans - Loans are considered impaired when, based on current information and events, the Company believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructured agreement. Impairment is evaluated based on past due status for consumer and residential loans. Impairment is evaluated as part of the Company's on-going credit monitoring process for commercial loans which results in the evaluation for impairment of substandard loans. Factors considered in determining if a loan is impaired are past payment history, strength of the borrower or guarantors, and cash flow associated with the collateral or business. If a loan is impaired, a specific valuation allowance is allocated, if necessary, based on the present value of estimated future cash flows using the loan's existing interest rate or based on the fair value of the loan. Collateral dependent impaired loans are charged down to the fair value of collateral less cost to sell. Interest payments on impaired loans for all loan classes are recognized on a cash basis, unless collectability of the principal and interest amount is probable, in which case interest is recognized on an accrual basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

BBX Capital Corporation and Subsidiaries

Impaired loans as of September 30, 2013 and December 31, 2012 were as follows (in thousands):

| | As of September 30, 2013 | | | As of December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| With a related allowance recorded: | | | | | | |
| Commercial non-real estate | $ 3,002 | 4,474 | 954 | 3,032 | 3,287 | 784 |
| Commercial real estate: | | | | | | |
| Residential | - | - | - | 637 | 2,172 | 1 |
| Other | - | - | - | 27,558 | 39,194 | 836 |
| Consumer | 1,030 | 3,085 | 1,030 | - | - | - |
| Residential: | | | | | | |
| Residential-interest only | - | - | - | - | - | - |
| Residential-amortizing | - | - | - | - | - | - |
| Total with allowance recorded | $ 4,032 | 7,559 | 1,984 | 31,227 | 44,653 | 1,621 |
| With no related allowance recorded: | | | | | | |
| Commercial non-real estate | $ 330 | 635 | - | 330 | 634 | - |
| Commercial real estate: | | | | | | |
| Residential | 39,080 | 83,998 | - | 64,684 | 141,842 | - |
| Other | 51,670 | 81,188 | - | 84,669 | 118,665 | - |
| Consumer | 12,098 | 14,931 | - | 16,050 | 20,501 | - |
| Residential: | | | | | | |
| Residential-interest only | 14,103 | 24,779 | - | 16,421 | 28,808 | - |
| Residential-amortizing | 27,503 | 42,540 | - | 31,896 | 48,820 | - |
| Total with no allowance recorded | $ 144,784 | 248,071 | - | 214,050 | 359,270 | - |
| Total: | | | | | | |
| Commercial non-real estate | $ 3,332 | 5,109 | 954 | 3,362 | 3,921 | 784 |
| Commercial real estate | 90,750 | 165,186 | - | 177,548 | 301,873 | 837 |
| Consumer | 13,128 | 18,016 | 1,030 | 16,050 | 20,501 | - |
| Residential | 41,606 | 67,319 | - | 48,317 | 77,628 | - |
| Total | $ 148,816 | 255,630 | 1,984 | 245,277 | 403,923 | 1,621 |

BBX Capital Corporation and Subsidiaries

Average recorded investment and interest income recognized on impaired loans for the three and nine months ended September 30, 2013 were (in thousands):

| | For the Three Months Ended September 30, 2013 | | For the Nine Months Ended September 30, 2013 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| With an allowance recorded: | | | | |
| Commercial non-real estate | $ 3,003 | 5 | 3,019 | 89 |
| Commercial real estate: | | | | |