BBX CAPITAL CORP
Form 10-Q
May 08, 2015

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 March 31, 2015

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.)
	33301
401 East Las Olas Boulevard Suite 800	(Zip Code)
Fort Lauderdale, Florida	

(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 [X]
Non-accelerated filer [ ] Small reporting company [ ]

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 May 4, 2015
Class A Common Stock, par value $0.01 per share	15,977,322
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)		March 31, 2015	December 31, 2014
ASSETS			
Cash and interest bearing deposits in banks ($2,738 and $4,993 in Variable Interest Entities ("VIEs"))	$	39,952	58,819
Restricted cash and time deposits at financial institutions ($250 and $0 in VIEs)		2,645	-
Loans held-for-sale ($32,072 and $35,423 in VIEs)		32,072	35,423
Loans receivable, net of allowance for loan losses of $381 and $977 ($18,740 and $18,972, net of allowance of $381 and $977 in VIEs)		26,582	26,844
Trade receivables, net of allowance for bad debts of $101 and $148		12,264	13,416
Real estate held-for-investment ($19,346 and $19,156 in VIEs)		83,335	75,590
Real estate held-for-sale ($13,059 and $13,745 in VIEs)		39,763	41,733
Investment in unconsolidated real estate joint ventures		15,807	16,065
Investment in Woodbridge Holdings, LLC		78,829	73,026
Properties and equipment, net ($8,439 and $8,350 in VIEs)		17,542	17,679
Inventories		15,228	14,505
Goodwill and other intangible assets, net		15,660	15,817
Other assets ($1,512 and $1,017 in VIEs)		5,848	4,019
Total assets	$	385,527	392,936
LIABILITIES AND EQUITY			
Liabilities:			
BB&T preferred interest in FAR, LLC ($6,132 and $12,348 in VIEs)	$	6,132	12,348
Notes payable to related parties		11,750	11,750
Notes payable		17,158	17,923
Principal and interest advances on residential loans ($11,364 and $11,171 in VIEs)		11,364	11,171
Other liabilities ($980 and $1,431 in VIEs)		25,604	28,464
Total liabilities		72,008	81,656
Commitments and contingencies (Note 13)			
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 15,977,322 and 15,977,322 shares	160	160
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	349,168	347,937
Accumulated deficit	(37,362)	(38,396)
Accumulated other comprehensive income	191	85
Total BBX Capital Corporation shareholders' equity	312,159	309,788
Noncontrolling interest	1,360	1,492
Total equity	313,519	311,280
Total liabilities and equity	$ 385,527	392,936

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 March 31,	
(In thousands, except share and per share data)		2015	2014
Revenues:			
Trade sales	$	19,535	16,555
Interest income		818	1,776
Net gains (losses) on the sales of assets		2	(49)
Income from real estate operations		926	1,493
Other		428	1,041
Total revenues		21,709	20,816
Costs and expenses:			
Cost of goods sold		13,835	12,101
BB&T's priority return in FAR distributions		54	331
Interest expense		139	496
Real estate operating expenses		1,180	1,553
Selling, general and administrative expenses		15,535	10,882
Total costs and expenses		30,743	25,363
Equity earnings in Woodbridge Holdings, LLC		5,803	6,222
Equity losses in unconsolidated real estate joint ventures		(304)	(6)
Foreign currency exchange loss		(469)	(307)
Recoveries from loan losses		3,821	1,248
Asset recoveries (impairments), net		1,063	(1,319)
Income before income taxes		880	1,291

Provision for income taxes	3	-
Net income	877	1,291
Less: net loss attributable to non-controlling interest	157	67
Net income attributable to BBX Capital Corporation	$ 1,034	1,358
Basic earnings per share	$ 0.06	0.08
Diluted earnings per share	$ 0.06	0.08
Basic weighted average number of common shares outstanding	16,172,389	15,985,772
Diluted weighted average number of common and common equivalent shares outstanding	16,725,344	16,698,628

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME UNAUDITED

		For the Three Months Ended March 31,	
(In thousands)		2015	2014
Net income	$	877	1,291
Other comprehensive income, net of tax:			
Foreign currency translation adjustments, net of tax		131	30
Comprehensive income		1,008	1,321
Less: net loss attributable to non-controlling interest		157	67
Foreign currency translation adjustments attributable to non-controlling interest		(25)	(6)
Total comprehensive income attributable to BBX Capital Corporation	$	1,140	1,382

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014 - UNAUDITED

(In thousands)		Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income	BBX Capital Corporation Equity	Non-Controlling Interest	Total Equity
BALANCE, DECEMBER 31, 2013	$	160	345,300	(43,091)	13	302,382	1,184	303,566
Net income		-	-	1,358	-	1,358	(67)	1,291
Noncontrolling interest distributions		-	-	-	-	-	(157)	(157)
Noncontrolling interest contributions		-	-	-	-	-	99	99
Other comprehensive income		-	-	-	24	24	6	30
Share-based compensation expense		-	855	-	-	855	-	855
BALANCE, MARCH 31, 2014	$	160	346,155	(41,733)	37	304,619	1,065	305,684
BALANCE, DECEMBER 31, 2014	$	162	347,937	(38,396)	85	309,788	1,492	311,280
Net income		-	-	1,034	-	1,034	(157)	877
Other comprehensive income		-	-	-	106	106	25	131
Share based compensation expense		-	1,231	-	-	1,231	-	1,231
BALANCE, MARCH 31, 2015	$	162	349,168	(37,362)	191	312,159	1,360	313,519

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

		For the Three Months Ended March 31,	
(In thousands)		2015	2014
Net cash used in operating activities	$	(10,849)	(7,710)
Investing activities:			
Proceeds from redemption and maturities of tax certificates		96	321
Repayments of loans receivable, net		6,658	5,605
Proceeds from the sales of loans receivable		89	-
Additions to real estate held-for-investment		(7,024)	(193)
Proceeds from sales of real estate held-for-sale		2,866	4,852
Proceeds from the contribution of real estate to unconsolidated real estate joint ventures		-	2,880
Purchases of properties and equipment		(496)	(14)
Investments in unconsolidated real estate joint ventures		(68)	(72)
Increase in restricted cash and time deposits at financial institutions		(2,645)	-
Acquisitions of businesses, net of cash acquired		-	(1,900)
Net cash (used in) provided by investing activities		(524)	11,479
Financing activities:			
Repayment of BB&T preferred interest in FAR, LLC		(6,216)	(14,013)
Proceeds from notes payable to related parties		-	600
Repayments of notes payable to related parties		-	(250)
Repayment of notes payable		(1,278)	(267)
Noncontrolling interest contributions		-	99
Noncontrolling interest distributions		-	(157)
Net cash used in financing activities		(7,494)	(13,988)
Decrease in cash and cash equivalents		(18,867)	(10,219)
Cash and cash equivalents at the beginning of period		58,819	43,138
Cash and cash equivalents at end of period	$	39,952	32,919
Cash paid for:			
Interest paid	$	305	765
Income taxes		3	-
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to real estate held-for-investment or real estate held-for-sale		2,156	12,406
Real estate held-for-investment transferred to investment in real estate joint ventures		-	1,920
Transfer from real estate-held-for-investment to real estate-held-for-sale		1,027	-
Change in accumulated other comprehensive income		131	30

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation (formerly BankAtlantic Bancorp, Inc.) together with its subsidiaries is referred to herein as “the Company”, “we”, “us,” or “our” and is referred to herein without its subsidiaries as “BBX Capital”. BBX Capital was organized under the laws of the State of Florida in 1994. We are 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.

BBX Capital’s principal asset until July 31, 2012 was its ownership of BankAtlantic and its subsidiaries (“BankAtlantic”). BankAtlantic was a federal savings bank headquartered in Fort Lauderdale, 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 herein are collectively referred to as the “BB&T Transaction”). Prior to the closing of the BB&T Transaction, BankAtlantic formed two wholly-owned subsidiaries, BBX Capital Asset Management, LLC (“CAM”) and Florida Asset Resolution Group, LLC (“FAR”).

Prior to the closing of the BB&T Transaction, BankAtlantic contributed approximately $82 million in cash to CAM and certain non-performing commercial loans, commercial real estate and previously written-off assets that had an aggregate carrying value on BankAtlantic’s balance sheet of $125 million as of July 31, 2012. CAM assumed all liabilities related to these assets. 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 contributed to FAR certain performing and non-performing loans, tax certificates and real estate that had an aggregate carrying value on BankAtlantic’s balance sheet of approximately $346 million as of July 31, 2012. FAR assumed all liabilities related to these assets. BankAtlantic also contributed approximately $50 million in cash to FAR on July 31, 2012 and thereafter 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 $285.4 million in principal amount of outstanding trust preferred securities (“TruPS”) obligations. The Company retained the remaining 5% of FAR’s preferred membership interests. Under the terms of the Amended and Restated Limited Liability Company agreement of FAR, which was entered into by the Company and BB&T at the closing, BB&T was entitled to hold its 95% preferred interest in the net cash flows of FAR until it 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 terminates, and the Company is entitled to any and all residual proceeds from FAR through its ownership of FAR’s Class R units. BB&T’s preferred interest in FAR as of March 31, 2015 had been reduced through cash distributions to $6.1 million. On May 6, 2015, BB&T’s preferred interest in FAR was repaid in full and redeemed and BBX Capital became the sole member of FAR.

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 manages, markets and sells the Bluegreen Vacation Club, a points-based, deeded vacation ownership plan with more than 180,000 owners. BFC Financial Corporation (“BFC”), the controlling shareholder of the Company, owns the remaining 54% of Woodbridge (see Note 2 Investment in Woodbridge Holdings, LLC).

In October 2013, Renin Holdings, LLC (“Renin”), a joint venture owned 81% by BBX Capital and 19% by BFC, acquired substantially all of the assets and certain liabilities of Renin Corp. (“the Renin Transaction”). Renin manufactures interior closet doors, wall décor, hardware and fabricated glass products. Renin is headquartered in Canada and has two manufacturing, assembly and distribution facilities in Canada and the United States and a distribution facility in the United Kingdom.

In December 2013, BBX Sweet Holdings, LLC (“BBX Sweet Holdings”), a wholly-owned subsidiary of BBX Capital, acquired the outstanding equity interests in Hoffman’s Chocolates and its subsidiaries Boca Bons, LLC and S&F Good Fortunes, LLC (collectively, “Hoffman’s”). Hoffman’s is a manufacturer of gourmet chocolates, with retail locations in South Florida. In January 2014, BBX Sweet Holdings acquired Williams and Bennett, a Florida based manufacturer of quality chocolate products. In July 2014, BBX Sweet Holdings acquired Jer’s Chocolates, a California based distributor of peanut butter chocolate products internationally and in the United States and Helen Grace Chocolates, a California based manufacturer of premium chocolate confections, chocolate bars, chocolate candies and truffles. In October 2014, BBX Sweet Holdings acquired Anastasia Confections Inc., an Orlando, Florida based manufacturer of gourmet candy and chocolate gift products. In April 2015, BBX Sweet Holdings acquired the assets of Kencraft, Inc. (“Kencraft”). Kencraft is a Utah based manufacturer of hard candies including lollipops, sugar Easter eggs, bubblegum and icing decorations.

Certain business combination disclosures required by Topic 805-10-50 for the Kencraft asset acquisition, such as the fair value of the net assets acquired and the supplemental pro forma information, were not available at the date of filing. The Company engaged valuation firms to provide estimates of the fair value of the assets acquired and liabilities assumed and the valuation reports were not completed as of the filing date. Additionally, the seller was not able to timely provide the financial information requested by the Company necessary to prepare the supplemental pro forma information as of the filing date.

On April 30, 2015, BFC purchased 4,771,221 of the Company’s Class A common stock through a tender offer increasing its ownership percent to approximately 81% of the issued and outstanding shares of the Company’s Class A common stock, which together with the shares of BBX Capital’s Class B common stock owned by BFC, represents an approximate 81% equity interest and 90% voting interest in BBX Capital.

The Company has two classes of 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. At March 31, 2015 BFC owned 100% of the Company’s Class B common stock and 51% of the Company’s outstanding Class A common stock resulting in BFC owning 51% of the Company’s aggregate outstanding common stock and 74% of the voting power of the Company’s common stock as of that date. The percentage of total common equity represented by Class A and Class B common stock was 99% and 1% at March 31, 2015, respectively. The fixed voting percentages will be eliminated, and shares of Class B common stock will be entitled to only one vote per share from and after the date that BFC or its affiliates no longer own in the aggregate at least 97,523 shares of Class B common stock (which is one-half of the number of shares it now owns). Class B common stock is convertible into Class A common stock on a share for share basis.

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 March 31, 2015, the consolidated results of operations and consolidated statement of comprehensive income for the three months ended March 31, 2015 and 2014, and the consolidated total equity and cash flows for the three months ended March 31, 2015 and 2014. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of results of operations that may be expected for the subsequent interim period during 2015 or for the year ended December 31, 2015. 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, 2014.

Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2014.

Basic earnings per share excludes dilution and is computed by dividing net income attributable to the Company by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if options to issue common shares were exercised or restricted stock units of the Company were to vest. In calculating diluted earnings per share, net income attributable to the Company is divided by the weighted average number of common shares. Options and restricted stock units are included in the weighted average number of common shares outstanding based on the treasury stock method, if dilutive. During the three months ended March 31, 2015 and 2014, options to acquire 15,481 and 21,282 shares of Class A common stock were anti-dilutive, respectively.

New Accounting Pronouncements:

The FASB has issued the following accounting pronouncements and guidance relevant to the Company's operations during the first quarter of 2015 (See the Company's annual report on Form 10-K for the year ended December 31, 2014 for accounting pronouncements issued prior to the first quarter of 2015 relevant to the Company's operations):

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

Update Number 2015-05 — Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. This update provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The standard is effective for annual and interim reporting periods beginning after December 15, 2015. Early application is permitted. The adoption of this update is not expected to have a material impact on the Company's financial statements.

Update Number 2015-03 — Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This update requires that debt issuance costs related to a recognized debt liability be presented in the Statement of Financial Condition as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for annual and interim reporting periods beginning after December 15, 2015. Early application is permitted. The adoption of this update is not expected to have a material impact on the Company's financial statements.

2. Investment in Woodbridge Holdings, LLC

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 and is the managing member of Woodbridge. Since BFC is the majority owner of Woodbridge and the managing member, the Company's investment in Woodbridge is accounted for under the equity method. 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. 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 following is the investment in Woodbridge activity under the equity method for the three months ended March 31, 2015 and March 31, 2014, respectively (in thousands):

	For the Three Months Ended March 31,	
	2015	2014
Investment in Woodbridge - beginning of period	73,026	78,573
Equity earnings in Woodbridge	5,803	6,222
Dividends received from Woodbridge	-	-
Investment in Woodbridge - end of period	$ 78,829	84,795

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

The condensed Statements of Financial Condition as of the dates indicated of Woodbridge Holdings, LLC were as follows (in thousands):

		March 31, 2015	December 31, 2014
Assets			
Cash and restricted cash	$	256,627	240,427
Notes receivable, net		410,904	424,267
Notes receivable from related parties		11,750	11,750
Inventory of real estate		203,260	194,713
Properties and equipment, net		71,968	72,319
Intangible assets		62,149	63,913
Other assets		73,022	53,158
Total assets	$	1,089,680	1,060,547
Liabilities and Equity			
Accounts payable, accrued liabilities and other	$	117,616	114,263
Deferred tax liabilities, net		101,216	92,609
Notes payable		503,600	502,465
Junior subordinated debentures		150,675	150,038
Total liabilities		873,107	859,375
Total Woodbridge members' equity		170,535	157,920
Noncontrolling interest		46,038	43,252
Total equity		216,573	201,172
Total liabilities and equity	$	1,089,680	1,060,547

The condensed Statements of Operations of Woodbridge Holdings, LLC were as follows (in thousands):

		For the Three Months Ended March 31,	
		2015	2014
Total revenues	$	128,430	129,920

Total costs and expenses	105,489	104,979
Other income	1,066	688
Income from continuing operations before taxes	24,007	25,629
Provision for income taxes	8,606	9,145
Net income	15,401	16,484
Net income attributable to noncontrolling interest	(2,786)	(2,958)
Net income attributable to Woodbridge	12,615	13,526
BBX Capital 46% equity earnings in Woodbridge	$ 5,803	6,222

3. Consolidated Variable Interest Entities

FAR

BB&T's preferred equity interest in FAR entitled it to a $285 million preference amount plus the related priority return. Based on the amended and restated limited liability agreement, FAR was 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. As such, the Class A units were 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 an amended and restated limited liability agreement which grants the Board of Managers decision-making authority over FAR. Prior to May 6, 2015 the Board had four members, two members elected

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

by the Company and two members elected by BB&T. The two Board members designated by BB&T resigned on May 6, 2015 in connection with the redemption of BB&T's 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 Statement of Financial Condition was as follows (in thousands):

		March 31, 2015	December 31, 2014
Cash and interest bearing deposits in banks	$	2,650	4,976
Restricted cash		250	-
Loans held-for-sale		32,072	35,423
Loans receivable, net		18,740	18,972
Real estate held-for-investment		18,503	18,340
Real estate held-for-sale		13,059	13,745
Properties and equipment, net		8,439	8,350
Other assets		1,126	638
Total assets	$	94,839	100,444
BB&T preferred interest in FAR, LLC	$	6,132	12,348
Principal and interest advances on residential loans		11,364	11,171
Other liabilities		838	1,315
Total liabilities	$	18,334	24,834

Prior to the repayment of BB&T's preference amount, the proceeds from the monetization of FAR's assets were 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 finances its activities through revenues from principal and interest payments received and the monetization of its assets.

JRG/BBX Development, LLC ("North Flagler")

In October 2013, an indirect wholly-owned subsidiary of BBX Capital entered into the North Flagler joint venture with JRG USA, and in connection with the formation of the joint venture JRG USA assigned to the joint venture a contract to purchase for $10.8 million a 4.5 acre real estate parcel overlooking the Intracoastal Waterway in West Palm Beach Florida and we invested $0.5 million of cash. During 2015, the zoning district surrounding this property was changed to permit up to 15 stories in building height from 4 stories in building height. We are entitled to receive

80% of any joint venture distributions until we recover our capital investment and then will be entitled to receive 70% of any joint venture distributions thereafter. We are the managing member and have control of all aspects of the operations of the joint venture.

The carrying amount of the assets and liabilities of North Flagler and the classification of these assets and liabilities in the Company's Statement of Financial Condition was as follows (in thousands):

		March 31, 2015	December 31, 2014
Cash and interest bearing deposits in banks	$	88	17
Real estate held-for-investment		843	816
Other assets		386	379
Total assets	$	1,317	1,212
Other liabilities	$	142	116
Noncontrolling interest	$	132	132

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

BBX Capital's maximum loss exposure in North Flagler if all of North Flagler's assets were deemed worthless would have been $1.0 million as of March 31, 2015.

4. Investments in Unconsolidated Real Estate Joint Ventures

The Company had the following investments in unconsolidated real estate joint ventures (in thousands):

	March 31, 2015	December 31, 2014
Altis at Kendall Square, LLC	$ 1,230	1,264
Altis at Lakeline - Austin Investors LLC	5,000	5,000
New Urban/BBX Development, LLC	968	996
Sunrise and Bayview Partners, LLC	1,676	1,723
Hialeah Communities, LLC	4,988	5,091
PGA Design Center Holdings, LLC	1,945	1,991
Investments in unconsolidated real estate joint ventures	$ 15,807	16,065

Altis at Kendall Square, LLC ("Kendall Commons")

In March 2013, the Company invested $1.3 million in a joint venture to develop 321 apartment units. The Company is entitled to receive 13% of the joint venture distributions until a 15% internal rate of return has been attained and then the Company will be entitled to receive 9.75% of any joint venture distributions thereafter.

Altis at Lakeline – Austin Investors, LLC

In December 2014, the Company invested $5.0 million in a joint venture to develop 354 apartment units in Austin, Texas. The Company contributed 34% of the capital to the joint venture. After the Company receives a preferred return of 9% and all of its capital is returned, the Company will then be entitled to receive 26.3% of any joint venture distributions until an 18% internal rate of return has been attained and thereafter the Company will be entitled to receive 18.8% of any joint venture distributions.

New Urban/BBX Development, LLC (“Village at Victoria Park”)

In December 2013, the Company entered into a joint venture agreement with New Urban Communities to develop 2 acres of vacant land located near downtown Fort Lauderdale, Florida as 30 single-family homes. The Company and New Urban Communities each have a 50% membership interest in the joint venture and New Urban Communities serves as the developer and the manager.

In April 2014, the joint venture obtained an acquisition, development and construction loan from a financial institution and the Company and New Urban Communities each contributed $692,000 to the joint venture as a capital contribution. The joint venture purchased the two acre site from the Company for $3.6 million consisting of $1.8 million in cash (less $0.2 million in selling expenses) and a $1.6 million promissory note. The promissory note bears interest at 8% per annum and is subordinated to the financial institution’s acquisition, development and construction loan. The Company recorded a deferred gain of $1.1 million included in other liabilities in the Company’s Statement of Financial Condition as of March 31, 2015 and December 31, 2014 on the sale of the vacant land to the joint venture. The sale of appreciated property to the joint venture resulted in a joint venture basis difference as the Company’s carrying value of the land was $1.1 million lower than the fair value. The Company accounted for the sale of the vacant land to the joint venture using the cost recovery method. During the three months ended March 31, 2015, the Company increased by $11,000 the joint venture basis adjustment for the capitalization of interest expense on its average carrying value of investments and advances to the joint venture for the period. The Company will recognize the deferred gain as the principal balance of the note receivable is paid. The Company will recognize the joint venture basis adjustment as joint venture equity earnings as the single-family units are sold by the joint venture.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

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Sunrise and Bayview Partners

In June 2014, the Company entered into a joint venture agreement with an affiliate of Procacci Development Corporation ("PDC") and the Company and PDC each contributed $1.8 million in the Sunrise and Bayview Partners joint venture. The Company and PDC each have a 50% interest in the joint venture. In July 2014, the joint venture borrowed $5.0 million from PDC and acquired for $8.0 million three acres of real estate in Fort Lauderdale, Florida from an unrelated third party. The property is improved with an approximate 84,000 square foot office building along with a convenience store and gas station. The joint venture refinanced the PDC borrowings with a financial institution and the Company provided the financial institution with a guarantee of 50% of the outstanding balance of the joint venture's $5.0 million loan.

PGA Design Center Holdings, LLC ("PGA Design Center")

In December 2013, the Company purchased for $6.1 million a commercial property with three existing buildings consisting of 145,000 square feet of mainly furniture retail space. In January 2014, the Company entered into a joint venture with Stiles Development, and in connection with the formation of the joint venture, the Company sold the commercial property to the joint venture in exchange for $2.9 million in cash and a 40% interest in the joint venture. The joint venture intends to seek governmental approvals to change the use of a portion of the property from retail to office and subsequently sell or lease the property. The property contributed to the joint venture excluded certain residential development entitlements with an estimated value of $1.2 million which were transferred to adjacent parcels owned by the Company.

Hialeah Communities, LLC

In July 2014, the Company entered into a joint venture agreement with CC Bonterra to develop approximately 394 homes in a portion of the newly proposed Bonterra community in Hialeah, Florida. The Company transferred approximately 50 acres of land at an agreed upon value of approximately $15.6 million subject to an $8.3 million mortgage which was assumed by the joint venture. In exchange, the Company received $2.2 million in cash and a joint venture interest with an agreed upon assigned initial capital contribution value of $4.9 million. The Company is entitled to receive 57% of any joint venture distributions until it receives its aggregate capital contributions plus a 9% per annum return on capital. Any distributions thereafter will be shared 45% by the Company and 55% by CC Bonterra. The Company contributes 57% of the capital and remained liable as a co-borrower on the $8.3 million mortgage that was assumed by the joint venture. The transfer of the land to the joint venture as an initial capital contribution resulted in a deferred gain of $1.6 million included in other liabilities in the Company's Statement of Financial Condition as of March 31, 2015 and December 31, 2014 and a joint venture basis adjustment of $2.1 million. The Company determined that the transfer of the land to the joint venture should be accounted for on the cost recovery method. During the three months ended March 31, 2015, the Company recognized an increase of $57,000 joint venture basis adjustment for the capitalization of interest expense on its average joint venture carrying value for the period. The deferred gain of $1.6 million will be recognized upon the repayment of the principal balance of the $8.3 million mortgage. The Company will recognize the joint venture basis adjustment as joint venture equity earnings as single-family units are sold by the joint venture.

In September 2014, the Company contributed additional capital to the joint venture of $1.8 million with CC Bonterra contributing $1.4 million. The additional capital contributions funded the joint venture purchase of property adjacent to the project for $0.9 million. The joint venture advanced $2.3 million to a wholly-owned subsidiary of the Company and the wholly-owned subsidiary of the Company used the funds received from the joint venture to purchase $2.3 million of additional property adjacent to the project. The Company will repay the joint venture advance upon the sale of the property.

In March 2015, the joint venture refinanced the $8.3 million mortgage loan with proceeds from a $31.0 million acquisition and development loan. The Company is a guarantor of 26.3% of the $31.0 million joint venture acquisition and development loan.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

The condensed Statement of Operations for the three months ended March 31, 2015 and 2014 for the above equity method joint ventures in the aggregate was as follows (in thousands):

	For the Three Months Ended March 31,	
	2015	2014
Total revenues	$ 379	75
Total costs and expenses	(1,071)	(89)
Net loss	$ (692)	(14)

5. Loans Held-for-Sale

Loans held-for-sale were as follows (in thousands):

	March 31, 2015	December 31, 2014
Residential	$ 24,334	27,331
Second-lien consumer	2,468	2,351
Small business	5,270	5,741
Total loans held-for-sale	$ 32,072	35,423

Loans held-for-sale are reported at the lower of cost or fair value. The Company transfers loans to held-for-sale when, based on the current economic environment and related market conditions, it does not have the intent to hold those loans for the foreseeable future. The Company sold residential loans and first-lien consumer loans in July 2014 and is currently soliciting buyers for its loans held-for-sale portfolio. The Company transfers loans previously held-for-sale to loans held-for-investment at the lower of cost or fair value on the transfer date. All loans held-for-sale at March

31, 2015 and December 31, 2014 were owned by FAR.

During the three months ended March 31, 2015, the Company sold two charged off loans for an aggregate gain of $89,000.

As of March 31, 2015, foreclosure proceedings were in-process on $16.2 million of residential loans held for sale.

6. Loans Receivable

The loans receivable portfolio consisted of the following components (in thousands):

		March 31, 2015	December 31, 2014
Commercial non-real estate	$	1,308	1,326
Commercial real estate		24,069	24,189
Consumer		1,586	2,306
Residential		-	-
Total gross loans		26,963	27,821
Allowance for loan losses		(381)	(977)
Loans receivable -- net	$	26,582	26,844

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

As of March 31, 2015, foreclosure proceedings were in-process on $1.2 million of consumer loans.

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

Loan Class		March 31, 2015	December 31, 2014
Commercial non-real estate	$	1,308	1,326
Commercial real estate		14,464	14,464
Consumer		1,497	1,990
Residential		-	-
Total nonaccrual loans	$	17,269	17,780

An age analysis of the past due recorded investment in loans receivable as of March 31, 2015 and December 31, 2014 was as follows (in thousands):

March 31, 2015		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	$	-	-	330	330	978	1,308
Commercial real estate		-	-	5,458	5,458	18,611	24,069
Consumer		-	130	1,320	1,450	136	1,586
Residential		-	-	-	-	-	-
Total	$	-	130	7,108	7,238	19,725	26,963

December 31, 2014		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	$	-	-	330	330	996	1,326
Commercial real estate		-	-	5,458	5,458	18,731	24,189
Consumer		-	227	1,703	1,930	376	2,306
Residential		-	-	-	-	-	-

Total	$ -	227	7,491	7,718	20,103	27,821

(1) The Company had no loans that were 90 days or more past due and still accruing interest as of March 31, 2015 or December 31, 2014.

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The activity in the allowance for loan losses for the three months ended March 31, 2015 and 2014 was as follows (in thousands):

		For the Three Months Ended March 31,	
		2015	2014
Allowance for Loan Losses:			
Beginning balance	$	977	2,713
Charge-offs :		(675)	(2,017)
Recoveries :		3,900	2,140
Provision:		(3,821)	(1,248)
Ending balance	$	381	1,588
Ending balance individually evaluated for impairment	$	-	-
Ending balance collectively evaluated for impairment		381	1,588
Total	$	381	1,588
Loans receivable:			
Ending balance individually evaluated for impairment	$	17,018	37,153
Ending balance collectively evaluated for impairment	$	9,945	24,008
Total	$	26,963	61,161
Proceeds from loan sales	$	89	-
Transfer to loans held-for-sale	$	-	-
Transfer from loans held-for-sale	$	-	-

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 for commercial and small business loans based on past payment history, financial 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 established, 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 are recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Impaired loans as of March 31, 2015 and December 31, 2014 were as follows (in thousands):

	As of March 31, 2015			As of December 31, 2014		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total with allowance recorded	$ 273	583	273	735	1,664	735
Total with no allowance recorded	17,085	31,367	-	17,361	35,812	-
Total	$ 17,358	31,950	273	18,096	37,476	735

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

Average recorded investment and interest income recognized on impaired loans for the three months ended March 31, 2015 and March 31, 2014 were (in thousands):

		For the Three Months Ended			
		March 31, 2015		March 31, 2014	
		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Total with allowance recorded	$	273	1	811	-
Total with no allowance recorded		17,145	228	44,380	274
Total	$	17,418	229	45,191	274

Impaired loans without specific valuation allowances represent loans that were written-down to the fair value of the collateral less cost to sell, loans in which the collateral value less cost to sell was greater than the carrying value of the loan, loans in which the present value of the cash flows discounted at the loans' effective interest rate were equal to or greater than the carrying value of the loans, or were collectively measured for impairment.

The Company had no commitments to lend additional funds on impaired loans as of March 31, 2015.

Troubled Debt Restructured Loans

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions, principal forgiveness, restructuring amortization schedules, extending loan maturities, deferring loan payments until the loan maturity date and other actions intended to minimize potential losses. The majority of concessions for consumer loans have involved changing monthly payments from interest and principal payments to interest only payments or deferring several monthly loan payments until the loan maturity date. Commercial real estate and non-real estate loan concessions were primarily interest rate reductions to below market interest rates and extensions of maturity dates based on the risk profile of the loan.

There were no troubled debt restructurings during the three months ended March 31, 2015 and 2014. There were no loans modified in troubled debt restructurings beginning January 1, 2014 through March 31, 2015 that experienced a payment default during the three months ended March 31, 2015. There were no loans modified in troubled debt restructurings beginning January 1, 2013 through March 31, 2014 that experienced a payment default during the three months ended March 31, 2014.

7. Real Estate Held-for-Investment and Real Estate Held-for-Sale

Although the Company has purchased certain property, substantially all of the Company's real estate has been acquired through foreclosures, settlements or deeds in lieu of foreclosure. Upon acquisition, real estate is classified as real estate held-for-sale or real estate held-for-investment. Real estate is classified as held-for-sale when the property is available for immediate sale in its present condition, management commits to a plan to sell the property, an active program to locate a buyer has been initiated, the property is being marketed at a price that is reasonable in relation to its current fair value and it is likely that a sale will be completed within one year. When the property does not meet the real estate held-for-sale criteria, the real estate is classified as held-for-investment.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

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The following table presents real estate held-for-sale grouped in the following classifications (in thousands):

		As of March 31, 2015	As of December 31, 2014
Land	$	31,546	33,505
Rental properties		1,748	1,748
Residential single-family		6,120	4,385
Other		349	2,095
Total held-for-sale	$	39,763	41,733

The following table presents real estate held-for-investment grouped in the following classifications (in thousands):

As of March 31,