BBX CAPITAL CORP
Form 10-Q
August 09, 2016

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 June 30, 2016

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 [ ]
Non-accelerated filer [ ] Smaller 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 August 3, 2016
Class A Common Stock, par value $0.01 per share	16,199,145
Class B Common Stock, par value $0.01 per share	195,045

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION-UNAUDITED

(In thousands, except share data)	June 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 96,658	69,040
Restricted cash and time deposits	1,345	2,651
Loans held-for-sale	-	21,354
Loans receivable, net	34,218	34,035
Trade receivables, net of allowance for bad debts of $187 in 2016 and $404 in 2015	14,275	13,732
Real estate held-for-investment	30,046	31,290
Real estate held-for-sale	32,854	46,338
Investments in unconsolidated real estate joint ventures	42,752	42,962
Investment in Woodbridge Holdings, LLC	76,631	75,545
Properties and equipment	24,865	18,083
Inventories	15,454	16,347
Goodwill	7,601	7,601
Other intangible assets	7,443	8,211
Other assets	6,323	6,316
Total assets	$ 390,465	393,505
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	$ 8,983	11,059
Notes payable, net of debt issuance costs	21,947	21,385
Principal and interest advances on residential loans	9,984	10,356
Other liabilities	12,145	14,726
Total liabilities	53,059	57,526
Commitments and contingencies (Note 11)		
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 16,199,145 and 16,199,145 shares	162	162
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	354,194	350,878
Accumulated deficit	(19,121)	(16,622)
Accumulated other comprehensive income	286	384
Total BBX Capital Corporation shareholders' equity	335,523	334,804
Noncontrolling interest	1,883	1,175
Total equity	337,406	335,979
Total liabilities and equity	$ 390,465	393,505

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME - UNAUDITED

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands, except per share data)		2016	2015	2016	2015
Revenues:					
Trade sales	$	21,250	19,583	42,212	39,118
Interest income		913	2,090	1,980	2,908
Net gains on the sales of assets		337	15,439	292	15,441
Income from real estate operations		902	1,013	1,966	1,939
Other		637	490	1,261	918
Total revenues		24,039	38,615	47,711	60,324
Costs and expenses:					
Cost of goods sold		18,959	14,195	34,006	28,030
Interest expense		27	31	128	188
Real estate operating expenses		911	865	1,839	2,045
Recoveries from loan losses, net		(6,287)	(6,608)	(8,035)	(10,429)
Asset impairments (recoveries), net		1,759	(810)	1,722	(1,873)
Selling, general and administrative expenses		17,568	14,455	33,862	30,026
Total costs and expenses		32,937	22,128	63,522	47,987
Equity in earnings (losses) of Woodbridge Holdings, LLC		5,059	(10,168)	11,794	(4,365)
Equity in net earnings (losses) of unconsolidated real estate joint ventures		1,655	(291)	1,313	(595)
Foreign exchange gain (loss)		110	70	320	(399)
(Loss) income before income taxes		(2,074)	6,098	(2,384)	6,978
Benefit for income taxes		-	(222)	-	(219)
Net (loss) income		(2,074)	6,320	(2,384)	7,197
Net (earnings) attributable to noncontrolling interest		(112)	(2,182)	(115)	(2,025)
Net (loss) income attributable to BBX Capital Corporation	$	(2,186)	4,138	(2,499)	5,172
Basic (loss) earnings per share	$	(0.13)	0.26	(0.15)	0.32
Diluted (loss) earnings per share	$	(0.13)	0.25	(0.15)	0.31
Basic weighted average number of common shares outstanding		16,394	16,172	16,394	16,172

Diluted weighted average number of common and common equivalent shares outstanding		16,394	16,885	16,394	16,810
Net (loss) income	$	(2,074)	6,320	(2,384)	7,197
Other comprehensive (loss) income, net of tax					
Foreign currency translation adjustments		(42)	(32)	(190)	99
Unrealized gains on securities available for sale		31	-	56	-
Other comprehensive (loss) income, net of tax		(11)	(32)	(134)	99
Comprehensive (loss) income		(2,085)	6,288	(2,518)	7,296
Net (earnings) attributable to noncontrolling interest		(112)	(2,182)	(115)	(2,025)
Foreign currency translation adjustments attributable to noncontrolling interest		8	6	36	(19)
Total comprehensive (loss) income attributable to BBX Capital Corporation	$	(2,189)	4,112	(2,597)	5,252

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF TOTAL EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 - UNAUDITED

(In thousands)	Shares of Class A Common Stock Outstanding		Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income	BBX Capital Corporation Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2014	15,977	$	162	347,937	(38,396)	85	309,788	1,492	311,280
Net income	-		-	-	5,172	-	5,172	2,025	7,197
Other comprehensive income	-		-	-	-	80	80	19	99
Noncontrolling interest contributions	-		-	-	-	-	-	(2,268)	(2,268)
Share based compensation expense	-		-	2,463	-	-	2,463	-	2,463
Balance, June 30, 2015	15,977	$	162	350,400	(33,224)	165	317,503	1,268	318,771
Balance, December 31, 2015	16,199	$	164	350,878	(16,622)	384	334,804	1,175	335,979
Net loss	-		-	-	(2,499)	-	(2,499)	115	(2,384)
Other comprehensive loss	-		-	-	-	(98)	(98)	(36)	(134)
Noncontrolling interest contributions	-		-	-	-	-	-	664	664
Transfer of interest in subsidiary	-		-	35	-	-	35	(35)	-
	-		-	3,281	-	-	3,281	-	3,281

Share based compensation expense								
Balance, June 30, 2016	16,199	$ 164	354,194	(19,121)	286	335,523	1,883	337,406

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

		For the Six Months Ended June 30,	
(In thousands)		2016	2015
Net cash used in operating activities	$	(8,602)	(12,765)
Investing activities:			
Proceeds from redemptions and maturities of tax certificates		248	132
Decrease (increase) in restricted cash and time deposits		1,306	(2,647)
Investments in securities		(571)	-
Net repayments of loans receivable		26,360	17,884
Proceeds from the sale of loans receivable		-	89
Additions to real estate held-for-investment		(1,816)	(11,488)
Additions to real estate held-for-sale		(225)	-
Purchases of real estate held-for-sale		-	(10,667)
Proceeds from sales of real estate held-for-sale		11,042	34,758
Purchases of properties and equipment		(1,506)	(643)
Investment in unconsolidated real estate joint ventures		(785)	(1,103)
Return of Woodbridge Holdings, LLC investment		-	6,165
Return of unconsolidated real estate joint ventures investment		994	-
Acquisitions of businesses, net of cash acquired		-	(9)
Net cash provided by investing activities		35,047	32,471
Financing activities:			
Repayment of BB&T preferred interest in FAR, LLC		-	(12,348)
Proceeds from notes payable		678	93
Repayment of notes payable		(169)	(600)
Payments for debt issuance costs		-	(15)
Noncontrolling interest contributions		664	-
Noncontrolling interest distributions		-	(2,268)
Net cash provided by (used in) financing activities		1,173	(15,138)
Increase in cash and cash equivalents		27,618	4,568
Cash and cash equivalents at the beginning of period		69,040	58,819
Cash and cash equivalents at the end of period	$	96,658	63,387
Cash paid for:			
Interest on borrowings	$	251	526
Income taxes payments, net		-	5
Supplementary disclosure of non-cash investing and financing activities:			
Loans receivable transferred to real estate held-for-sale or real estate held-for-investment		3,663	2,427
Change in accumulated other comprehensive income		(134)	99
Transfer of real estate-held-for-investment to real estate-held-for-sale		3,040	3,572
Transfer of real estate-held-for-sale to properties and equipment		6,557	-

Transfer of loans held-for-sale to loans receivable, net	16,078	7,365
Fair value of net assets acquired in connection with business acquisitions	-	1,404
Issuance of notes payable to acquire businesses	-	1,395

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation together with its subsidiaries is referred to herein as “BBX Capital”, “we”, “us,” or “our” and is referred to herein without its subsidiaries as “BBX Capital Corporation”. BBX Capital is a Florida-based company involved in the acquisition, development, ownership and management of and investments in real estate and real estate development projects as well as operating businesses. Prior to the sale of BankAtlantic to BB&T Corporation (“BB&T”) on July 31, 2012, BBX Capital Corporation was a bank holding company and its principal asset was the ownership of BankAtlantic. The principal assets of BBX Capital currently consist of its 46% equity interest in Woodbridge Holdings, LLC (“Woodbridge”), investments in real estate joint ventures, legacy loans and real estate assets transferred to BBX Capital in connection with the sale of BankAtlantic and its acquired businesses.

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 190,000 owners. BFC Financial Corporation (“BFC”), the controlling shareholder of BBX Capital, 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.

In December 2013, a wholly-owned subsidiary of BBX Capital, BBX Sweet Holdings, LLC, acquired Hoffman’s Chocolates (“Hoffman’s”). Hoffman’s is a manufacturer of gourmet chocolates, with retail locations in South Florida.

Subsequent to January 2014, BBX Sweet Holdings acquired manufacturers in the chocolate and candy industries serving wholesalers, boutique retailers, big box chains, department stores, national resort properties, corporate customers and private label brands. The companies acquired were Williams and Bennett, Helen Grace Chocolates (“Helen Grace”), Jer’s Chocolates (“Jer’s”), Anastasia Confections (“Anastasia”) and Kencraft Confections, LLC (“Kencraft”). In May 2015, BBX Sweet Holdings acquired a controlling interest in Droga Chocolates, LLC. BBX Sweet Holdings has a 75% equity interest in Droga and Droga products are manufactured at the Kencraft facility.

BBX Capital 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. The percentage of total common equity represented by Class A and Class B common stock was 99% and 1%, respectively, at June 30, 2016. 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 at any time at BFC’s discretion.

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

In management's opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of BBX Capital's condensed consolidated statement of financial condition at June 30, 2016, the condensed consolidated statements of operations and comprehensive (loss) income for the three and six months ended June 30, 2016 and 2015, and the condensed consolidated statements of total equity and statements of cash flows for the six months ended June 30, 2016 and 2015. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of results of operations that may be expected for the subsequent interim periods during 2016 or for the year ended December 31, 2016. The condensed 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, 2015.

Basic earnings per share excludes dilution and is computed by dividing net income attributable to BBX Capital 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 BBX Capital were to vest. In calculating diluted earnings per share, net income attributable to BBX Capital 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 and six months ended June 30, 2016, options to acquire 7,016 shares of Class A common stock and 1,429,152 of restricted stock units were anti-dilutive and excluded from diluted earnings per share. During the three and six months ended June 30, 2015, options to acquire 15,481 shares of Class A common stock were anti-dilutive and excluded from diluted earnings per share.

Recently Adopted Accounting Pronouncements

As of January 1, 2016, BBX Capital adopted Accounting Standards Update ("ASU") Number 2015-03 — Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as amended by ASU 2015-15. ASU 2015-03 requires debt issuance costs related to recognized debt liabilities to be presented in the statement of financial condition as a direct deduction from the debt liability rather than an asset. However, ASU 2015-03 also permits presentation of debt issuance costs on line-of-credit arrangements as assets. Accordingly, as of June 30, 2016, approximately $30,000 of deferred debt issuance costs was presented as a direct deduction within Notes Payable on BBX Capital's Condensed Consolidated Statement of Financial Condition. Additionally, BBX Capital reclassified $36,000 of deferred debt issuance costs from Other Assets to Notes Payable as of December 31, 2015. Debt issuance costs for line-of-credit arrangements of $264,000 and $306,000 were included in other assets in BBX Capital's Condensed Consolidated Statement of Financial Condition as of June 30, 2016 and December 31, 2015, respectively.

As of January 1, 2016, BBX Capital adopted ASU 2015-02 – Amendments to the Consolidation Analysis (Topic 810): ASU 2015-02 update changed the manner in which a reporting entity assesses one of the five characteristics that determines if an entity is a variable interest entity. In particular, when decision-making over the entity's most significant activities has been outsourced, the update changes how a reporting entity assesses if the equity holders at risk lack decision making rights. The update also introduces a separate analysis specific to limited partnerships and similar entities for assessing if the equity holders at risk lack decision making rights. The adoption of this update on January 1, 2016 did not have a material impact on BBX Capital's consolidated financial statements.

New Accounting Pronouncements:

The FASB has recently issued the following accounting pronouncements and guidance relevant to the preparation of BBX Capital's financial statements. (See BBX Capital's Annual Report on Form 10-K for the year ended December 31, 2015 for accounting pronouncements issued prior to March 31, 2016 relevant to BBX Capital's operations):

Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements. The ASU changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The ASU sets forth a "current expected credit loss" (CECL) model which requires BBX Capital to measure expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years BBX Capital is currently evaluating the requirements of this update and has not yet determined the impact it may have on its consolidated financial statements.

Accounting Standards Update Number 2016-09 — Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting. This update simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements including income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The amendments in this update are effective for annual reporting periods beginning after December 15, 2016 and interim periods within the reporting period. Early adoption is in any interim or annual period. The adoption of this update is not expected to have a material impact on the Company's consolidated financial statements.

Accounting Standards Update Number 2016-07 — Investments – Equity Method and Joint Ventures (Topic 323) – Simplifying the Transition to the Equity Method of Accounting. This update eliminates retroactive adjustments for an investment that qualifies for the use of the equity method as a result of an increase in the level of ownership interest associated with an existing investment. The amendment requires that the equity method investor add the cost of acquiring the additional interest to the current investment and adopt the equity method on the date that the investment becomes qualified for equity method accounting. The amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The adoption of this update is not expected to have a material impact on the Company's consolidated financial statements.

Accounting Standards Update Number 2014-09 – Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This guidance is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach. It also requires disclosures designed to enable readers of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Further, in March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net), in April 2016, the FASB issued ASU 2016-10 Revenue from Contracts with Customers – Identifying Performance Obligations and Licensing (Topic 606) and in May 2016 FASB issued ASU 2016-12, Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients. These updates clarify implementation guidance on the related topic. The accounting guidance updates will replace most existing revenue recognition guidance in GAAP. The standard is effective for annual and interim reporting periods beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. BBX Capital is currently evaluating the requirements of these updates and has not yet determined the impact on its consolidated financial statements.

2. Investment in Woodbridge Holdings, LLC

On April 2, 2013, BBX Capital 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 majority member of Woodbridge. Since BFC is the majority owner of Woodbridge, BBX Capital's investment in Woodbridge is accounted for under the equity method. In connection with BBX Capital's investment in Woodbridge, BBX Capital and BFC entered into an Amended and Restated Operating Agreement of Woodbridge, which sets forth BBX Capital'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 BBX Capital's and BFC's percentage equity interests in Woodbridge.

The following is activity related to BBX Capital's investment in Woodbridge, which is accounted for under the equity method (in thousands):

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2016	2015	2016	2015
Investment in Woodbridge - beginning of period	$	78,070	78,829	75,545	73,026
Equity in earnings (losses) of Woodbridge		5,059	(10,168)	11,794	(4,365)
Dividends received from Woodbridge		(6,498)	(6,165)	(10,708)	(6,165)
Investment in Woodbridge - end of period	$	76,631	62,496	76,631	62,496

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

The Condensed Consolidated Statements of Financial Condition as of the dates indicated of Woodbridge were as follows (in thousands):

		As of June 30, 2016	December 31, 2015
Assets			
Cash and restricted cash	$	208,090	172,758
Notes receivable, net		417,820	415,598
Notes receivable from related parties		80,000	80,000
Inventory of real estate		215,788	220,211
Properties and equipment, net		71,805	71,937
Intangible assets, net		61,863	61,977
Other assets		67,422	61,794
Total assets	$	1,122,788	1,084,275
Liabilities and Equity			
Accounts payable, accrued liabilities and other	$	126,289	113,473
Deferred tax liabilities, net		126,308	110,202
Notes payable		504,902	503,521
Junior subordinated debentures		151,532	150,485
Total liabilities		909,031	877,681
Total Woodbridge members' equity		165,757	163,397
Noncontrolling interest		48,000	43,197
Total equity		213,757	206,594
Total liabilities and equity	$	1,122,788	1,084,275

The Condensed Consolidated Statements of Operations of Woodbridge were as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Total revenues	$ 171,023	154,074	315,091	282,504
Total costs and expenses	150,883	164,556	268,694	270,045
Other income	(17)	1,123	149	2,189
Income before taxes	20,123	(9,359)	46,546	14,648
Provision for income taxes	6,259	9,921	16,104	18,527
Net income (loss)	13,864	(19,280)	30,442	(3,879)
Net income attributable to noncontrolling interest	(2,866)	(2,825)	(4,803)	(5,611)
Net income (loss) attributable to Woodbridge	10,998	(22,105)	25,639	(9,490)
BBX Capital 46% equity in earnings (losses) of Woodbridge	$ 5,059	(10,168)	11,794	(4,365)

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

3. Investments in Unconsolidated Real Estate Joint Ventures

BBX Capital had the following investments in unconsolidated real estate joint ventures (in thousands):

Investment in unconsolidated real estate joint ventures	June 30, 2016	December 31, 2015
Altis at Kendall Square, LLC	$ 701	764
Altis at Lakeline - Austin Investors LLC	5,257	5,210
New Urban/BBX Development, LLC	775	864
Sunrise and Bayview Partners, LLC	1,570	1,577
Hialeah Communities, LLC	4,023	4,569
PGA Design Center Holdings, LLC	1,874	1,911
CCB Miramar, LLC	875	875
Centra Falls, LLC	700	727
The Addison on Millenia Investment, LLC	5,810	5,778
BBX/S Millenia Blvd Investments, LLC	4,933	4,905
Altis at Bonterra - Hialeah, LLC	15,902	15,782
Altis at Shingle Creek Manager, LLC	332	-
Investments in unconsolidated real estate joint ventures	$ 42,752	42,962

BBX Capital's investments in unconsolidated real estate joint ventures are variable interest entities.

The amount of interest capitalized in investments in unconsolidated real estate joint ventures associated with joint venture real estate development activities for the three and six months ended June 30, 2016 was $211,000 and $333,000, respectively, and for the three and six months ended June 30, 2015 was $132,000 and $228,000, respectively.

The condensed Statements of Operations for the three and six months ended June 30, 2016 and 2015 for all the above listed equity method joint ventures in the aggregate was as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Total revenues	$ 5,063	658	6,254	1,037
Total costs and expenses	(3,171)	(1,317)	(5,027)	(2,388)
Net earnings (loss)	$ 1,892	(659)	1,227	(1,351)
Equity in net earnings (losses) of unconsolidated real estate joint ventures	$ 1,655	(291)	1,313	(595)

See Note 6 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for information on investments in BBX Capital's unconsolidated real estate joint ventures.

4. Loans Held-for-Sale

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

	June 30, 2016	December 31, 2015
Residential	$ -	21,354

Loans held-for-sale are reported at the lower of cost or fair value measured on an aggregate basis. As of December 31, 2015 the lower of cost or fair value adjustment on loans held-for-sale was $1.6 million. BBX Capital transfers loans

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

from held-for-sale to loans receivable when, based on the current economic environment and related market conditions, it has the intent to hold those loans for the foreseeable future. Based on current market conditions and an evaluation of the residential loan portfolio, management decided to hold the residential loans for the foreseeable future. As of June 30, 2016, BBX Capital transferred residential loans with aggregate unpaid principal balances, net of charge-offs, of $17.3 million from held-for-sale to loans receivable. The lower of cost or fair value of the residential loans on the transfer date was $16.1 million. Any difference between the lower of cost or fair value of the loan and the unpaid principal balance net of charge-offs was recognized as a discount. Such loans were included in loans receivable, net of a $1.2 million discount on BBX Capital's Condensed Consolidated Statements of Financial Condition as of June 30, 2016.

5. Loans Receivable

BBX Capital's loans receivable portfolio consisted of the following components (in thousands):

		June 30, 2016	December 31, 2015
Commercial non-real estate	$	1,211	11,250
Commercial real estate		11,292	16,294
Small business		3,360	4,054
Consumer		2,124	2,368
Residential		16,231	69
Loans receivable, net	$	34,218	34,035

As of June 30, 2016, foreclosure proceedings were in-process on $11.3 million of residential loans, $0.3 million of consumer loans and $64,000 of small business loans.

The total discount on loans receivable was $4.1 million and $3.3 million as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, $16.1 million of residential loans, net of a $1.2 million discount were transferred from loans held-for-sale to loans receivable.

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

Loan Class		June 30, 2016	December 31, 2015
Commercial non-real estate	$	1,211	1,250
Commercial real estate		9,351	9,639
Small business		3,360	4,054
Consumer		2,025	2,368
Residential		14,722	69
Total nonaccrual loans	$	30,669	17,380

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An age analysis of the past due recorded investment in loans receivable as of June 30, 2016 and December 31, 2015 was as follows (in thousands):

June 30, 2016		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	881	1,211
Commercial real estate		-	-	3,986	3,986	7,306	11,292
Small business		-	64	27	91	3,269	3,360
Consumer		122	28	527	677	1,447	2,124
Residential		22	276	11,285	11,583	4,648	16,231
Total	$	144	368	16,155	16,667	17,551	34,218

December 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	$	-	-	329	329	10,921	11,250
Commercial real estate		-	-	3,986	3,986	12,308	16,294
Small business:		-	205	-	205	3,849	4,054
Consumer		316	138	562	1,016	1,352	2,368
Residential		-	24	42	66	3	69
Total	$	316	367	4,919	5,602	28,433	34,035

(1) BBX Capital had no loans that were 90 days or more past due and still accruing interest as of June 30, 2016 and December 31, 2015.

The activity in the allowance for loan losses for the three and six months ended June 30, 2016 and 2015 was as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Allowance for Loan Losses:	2016	2015	2016	2015

Beginning balance	$	-	381	-	977
Charge-offs :		(66)	(221)	(96)	(896)
Recoveries :		6,353	6,620	8,131	10,520
Provision :		(6,287)	(6,608)	(8,035)	(10,429)
Ending balance	$	-	172	-	172
Ending balance individually evaluated for impairment	$	-	-	-	-
Ending balance collectively evaluated for impairment		-	172	-	172
Total	$	-	172	-	172
Loans receivable:					
Ending balance individually evaluated for impairment	$	26,986	15,862	26,986	15,862
Ending balance collectively evaluated for impairment		7,232	15,585	7,232	15,585
Total	$	34,218	31,447	34,218	31,447
Proceeds from loan sales	$	-	-	-	89
Transfer from loans held-for-sale	$	16,078	7,365	16,078	7,365

Impaired Loans - Loans are considered impaired when, based on current information and events, BBX Capital believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan 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. 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 as interest income. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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Impaired loans as of June 30, 2016 and December 31, 2015 were as follows (in thousands):

	As of June 30, 2016			As of December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total with allowance recorded	$ -	-	-	-	-	-
Total with no allowance recorded	30,846	53,528	-	17,380	30,212	-
Total	$ 30,846	53,528	-	17,380	30,212	-

Average recorded investment and interest income recognized on impaired loans for the three and six months ended June 30, 2016 were as follows (in thousands):

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2016	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Total with allowance recorded	$ -	-	-	-
Total with no allowance recorded	31,192	305	23,995	642
Total	$ 31,192	305	23,995	642

Average recorded investment and interest income recognized on impaired loans for the three and six months ended June 30, 2015 were as follows (in thousands):

	For the Three Months Ended June 30, 2015		For the Six Months Ended June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized

Total with allowance recorded	$ 68	2	68	3
Total with no allowance recorded	23,082	357	24,543	712
Total	$ 23,150	359	24,611	715

Impaired loans without 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 was equal to or greater than the carrying value of the loans, or loans that were collectively measured for impairment.

BBX Capital had no commitments to lend additional funds on impaired loans as of June 30, 2016.

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

BBX Capital'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.

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

	As of June 30, 2016	December 31, 2015
Real estate held-for-sale		
Land	$ 25,678	25,994
Rental properties	1,748	17,162
Residential single-family	5,404	2,924
Other	24	258
Total real estate held-for-sale	$ 32,854	46,338

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

	As of June 30, 2016	December 31, 2015
Real estate held-for-investment		
Land	$ 29,146	30,369
Other	900	921
Total real estate held-for-investment	$ 30,046	31,290

The amount of interest capitalized to land held-for-investment associated with real estate development improvements for the three and six months ended June 30, 2015 was $245,000 and $431,000, respectively. There was no interest capitalized to land held-for-investment for the three and six months ended June 30, 2016.

The following table presents the activity in real estate held-for-sale and held-for-investment for the three and six months ended June 30, 2016 (in thousands):

		For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2016	
		Real Estate		Real Estate	
		Held-for-Sale	Held-for-Investment	Held-for-Sale	Held-for-Investment
Beginning of period, net	$	46,165	32,838	46,338	31,290
Acquired through foreclosure		2,837	-	3,663	-
Transfers		3,040	(3,040)	3,040	(3,040)
Transfers to property and equipment		(6,557)	-	(6,557)	-
Improvements		56	258	225	1,816
Accumulated depreciation		-	(10)	-	(20)
Sales		(10,231)	-	(11,107)	-
Impairments, net		(2,456)	-	(2,748)	-
End of period, net	$	32,854	30,046	32,854	30,046

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The following table presents the activity in real estate held-for-sale and held-for-investment for the three and six months ended June 30, 2015 (in thousands):

	For the Three Months Ended June 30, 2015		For the Six Months Ended June 30, 2015	
	Real Estate		Real Estate	
	Held-for-Sale	Held-for-Investment	Held-for-Sale	Held-for-Investment
Beginning of period, net	$ 39,763	84,297	41,733	76,552
Acquired through foreclosure	271	-	2,427	-
Transfers	4,599	(4,599)	3,572	(3,572)
Purchases	10,667	-	10,667	-
Improvements	-	4,464	-	11,488
Accumulated depreciation	-	(164)	-	(245)
Sales	(16,453)	-	(19,405)	-
Impairments, net	(221)	(24)	(368)	(249)
End of period, net	$ 38,626	83,974	38,626	83,974

The following table presents the real estate held-for-sale valuation allowance activity for the three and six months ended June 30, 2016 and 2015 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Beginning of period	$ 4,570	2,417	4,400	2,940
Transfer to held-for-investment	-	-	-	(93)
Impairments, net (1)	2,456	151	2,748	298
Sales	(109)	(36)	(231)	(613)
End of period	$ 6,917	2,532	6,917	2,532

(1) Tax certificate impairments are not included.

7. Inventories

Inventories were as follows (in thousands):

		June 30, 2016	December 31, 2015
Raw materials	$	5,086	5,822
Paper goods and packaging materials		2,798	4,504
Finished goods		7,570	6,021
Total	$	15,454	16,347

Inventories consisted of $9.7 million for Renin and $5.8 million for BBX Sweet Holdings as of June 30, 2016, respectively, and $8.4 million for Renin and $7.9 million for BBX Sweet Holdings as of December 31, 2015, respectively. Shipping and handling fees billed to the customers were recorded as trade sales and shipping and handling fees paid by BBX Capital were recorded as selling, general, and administrative expenses. Included in BBX Capital's Condensed Consolidated Statements of Operations as selling, general, and administrative expenses for the three and six months ended June 30, 2016 were $1.2 million and $2.6 million, respectively, of costs associated with shipping goods to customers. Included in BBX Capital's Condensed Consolidated Statements of Operations as selling, general, and administrative expenses for the three

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and six months ended June 30, 2015 were $1.1 million and $2.5 million, respectively, of costs associated with shipping goods to customers.

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first out method. In valuing inventory, BBX Capital makes assumptions regarding the reserves required for excess and obsolete inventory based on judgments and estimates formulated from available information. BBX Capital's estimates for excess and obsolete inventory are based on historical and forecasted usage. Inventory is also examined for upcoming expiration and reserved where appropriate. Reserves for lower of cost or market value for expiring, shrinkage and excess and obsolete inventory were $3.2 million and $1.1 million as of June 30, 2016 and December 31, 2015, respectively, and included in costs of goods sold was $3.0 million and $3.1 million of inventory losses for the three and six months ended June 30, 2016. Inventory losses were $43,000 and a recovery of $35,000 for the three and six months ended June 30, 2015.

8. Related Parties

BBX Capital, BFC and Bluegreen are entities under common control. The controlling shareholder of BBX Capital and Bluegreen is BFC. Shares of BFC's capital stock representing a majority of the voting power are owned or controlled by Alan Levan, BBX Capital's Chairman until December 23, 2015 and Jack Abdo, BBX Capital's Vice Chairman. Alan Levan was also previously chairman of BFC and Bluegreen. Mr. Abdo currently serves as Vice Chairman of BFC and Acting Chairman of Bluegreen. Alan Levan is currently a non-executive employee of Bluegreen, BBX Capital and BFC. Mr. Jarett Levan, son of Alan Levan, is currently serving as BBX Capital's acting CEO and Chairman. BBX Capital, BFC and Bluegreen share certain office premises and employee services, pursuant to the agreements described below.

Effective December 1, 2012, BBX Capital entered into an agreement with BFC pursuant to which BBX Capital provides office facilities to BFC and is reimbursed by BFC based on cost. BFC also provides risk management services to BBX Capital and BFC is reimbursed by BBX Capital based on cost. During the three and six months ended June 30, 2015, BBX Capital's employees were provided health insurance under policies maintained by Bluegreen for which Bluegreen was reimbursed at cost. Beginning January 1, 2016, BBX Capital employees are provided health insurance through health insurance policies maintained by BBX Capital.

The table below shows the effect of these related party agreements and arrangements on BBX Capital's Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015 (in thousands):

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2016	2015	2016	2015
Other revenues	$	96	96	197	195
Expenses:					
Employee compensation and benefits		-	(247)	-	(481)
Other - back-office support		(50)	(53)	(92)	(83)
Net effect of affiliate transactions before income taxes	$	46	(204)	105	(369)

As disclosed in Note 2, on April 2, 2013, BBX Capital 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 of the publicly held shares of Bluegreen. BFC holds the remaining 54% of Woodbridge. BBX Capital contributed $60 million in cash and issued to Woodbridge an $11.75 million note payable in connection with BBX Capital's acquisition of its 46% equity interest in Woodbridge. During September 2015, in connection with the settlement of the Bluegreen shareholder litigation, the $11.75 million Woodbridge note payable was paid-in-full. During each of the three month periods ended June 30, 2016 and 2015, BBX Capital recognized $0 and $147,000, respectively, of interest expense in connection with the Woodbridge note payable. During each of the six month periods ended June 30, 2016 and 2015, BBX Capital recognized $0 and $294,000, respectively, of interest expense in connection with the Woodbridge note payable.

On May 8, 2015, BFC, BBX, Woodbridge, Bluegreen and their respective subsidiaries entered into an "Agreement to Allocate Consolidated Income Tax Liability and Benefits" pursuant to which, among other customary terms and conditions, the parties agreed to file consolidated federal tax returns. The parties will calculate their respective income tax liabilities and attributes as if each of them were a separate filer. If any tax attributes are used by another party to the agreement to offset its tax liability, the party providing the benefit will receive an amount for the tax benefits realized.

On July 27, 2016, BBX Capital entered into a merger agreement with BFC and a wholly-owned subsidiary of BFC which provides for BBX Capital to merge with and into the BFC subsidiary and become a wholly-owned subsidiary of BFC. See Note 12 for a description of the merger agreement.

9. Segment Reporting

The information provided for segment reporting is based on internal reports utilized by management. Results of operations are reported through three reportable segments: BBX, Renin and Sweet Holdings.

The BBX reportable segment activities consisted of managing its commercial loan portfolio, real estate properties, and portfolio of charged off loans as well as its investment in Woodbridge and investments in real estate joint ventures. The activities of managing the commercial loan portfolios included renewing, modifying, collecting, extending, refinancing and making protective advances on these loans, as well as managing and liquidating real estate properties acquired through foreclosure.

The Renin reportable segment consists of the activities of Renin. Total revenues for the Renin reportable segment include \$6.2 million and \$6.5 million of trade sales to two major customers and their affiliates for the three months ended June 30, 2016 and 2015, respectively. Renin's revenues generated outside of the United States totaled \$4.8 million and \$5.3 million for the three months ended June 30, 2016 and 2015, respectively. Renin's properties and equipment located outside the United States totaled \$1.3 million and \$1.4 million as of June 30, 2016 and December 31, 2015, respectively. Total revenues for the Renin reportable segment include \$11.2 million and \$12.9 million of trade sales to two major customers and their affiliates for the six months ended June 30, 2016 and 2015, respectively. Renin's revenues generated outside of the United States totaled \$9.8 million and \$11.5 million for the six months ended June 30, 2016 and 2015, respectively.

The Sweet Holdings reportable segment consists of the activities of the acquired operating businesses of Hoffman's, Williams & Bennett, Jer's, Helen Grace, Anastasia, Droga and Kencraft for the three and six months ended June 30, 2016 and the three months ended June 30, 2015. Kencraft was acquired on April 1, 2015 and Droga was acquired in May 2015. The activities of Kencraft and Droga are included in Sweet Holdings operating results from the date of acquisition.

In June 2016, the Jer's sales office and distribution facilities were closed and relocated to Kencraft's facilities in Utah. The relocation resulted in the termination of key employees including a sales representative and the President of Jer's. Based on the changes in circumstances, management performed an impairment analysis on Jer's long-lived assets consisting of trademarks, customer relationships and properties and equipment. As a result, BBX Capital recognized an impairment loss of $423,000 included in selling, general and administrative expenses in BBX Capital's Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016.

The accounting policies of the segments are generally the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation. Certain intercompany management fees and interest income/expense for prior periods have been reclassified to conform to the 2016 presentation.

Depreciation and amortization consist of depreciation on properties and equipment and amortization of leasehold improvements, intangible assets and deferred financing costs.

BBX Capital evaluates segment performance based on segment net income after tax. The tables below provide segment information for the three and six months ended June 30, 2016 and 2015 (in thousands):

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For the Three Months Ended:	BBX	Renin	Sweet Holdings	Adjusting and Elimination Entries	Segment Total
June 30, 2016:					
Interest income	$ 913	-	-	-	913
Other revenues	1,873	16,523	4,730	-	23,126
Total revenues	2,786	16,523	4,730	-	24,039
Interest expense	(2)	(78)	(158)	211	(27)
Recoveries from loan losses, net	6,287	-	-	-	6,287
Asset impairments	(1,759)	-	-	-	(1,759)
Other costs and expenses	(9,776)	(15,831)	(11,831) (2)	-	(37,438)
Total costs and expenses	(5,250)	(15,909)	(11,989)	211 (1)	(32,937)
Equity in earnings of unconsolidated companies	6,714	-	-	-	6,714
Foreign exchange gain	-	110	-	-	110
Segment income (loss) before income taxes	4,250	724	(7,259)	211	(2,074)
Provision for income tax	-	-	-	-	-
Net income (loss)	$ 4,250	724	(7,259)	211	(2,074)
Total assets	$ 651,784	26,720	36,201	(324,240)	390,465
Equity method investments included in total assets	$ 119,383	-	-	-	119,383
Expenditures for segment assets	$ 137	241	317	-	695
Depreciation and amortization	$ 219	180	449	-	848

(1) Includes a reconciling item of $211,000 associated with capitalized interest on real estate development and joint venture activities in excess of interest expense incurred in the BBX reportable segment for the three months ended June 30, 2016.

(2) Included in Sweet Holdings “other costs and expenses” were $3.0 million of inventory writedowns as well as $0.4 million of intangible asset impairments and $0.4 million of contract termination costs associated with the closing and relocation of the Jer’s sales office and distribution facilities.

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For the Six Months Ended:		BBX	Renin	Sweet Holdings		Adjusting and Elimination Entries		Segment Total
June 30, 2016:								
Interest income	$	1,980	-	-		-		1,980
Other revenues		3,513	30,298	11,920		-		45,731
Total revenues		5,493	30,298	11,920		-		47,711
Interest expense		(2)	(142)	(316)		332		(128)
Recoveries from loan losses, net		8,035	-	-		-		8,035
Asset impairments		(1,722)	-	-		-		(1,722)
Other costs and expenses		(19,420)	(29,663)	(20,624)	(2)	-		(69,707)
Total costs and expenses		(13,109)	(29,805)	(20,940)		332	(1)	(63,522)
Equity in earnings of unconsolidated companies		13,107	-	-		-		13,107
Foreign exchange gain		-	320	-		-		320
Segment income (loss) before income taxes		5,491	813	(9,020)		332		(2,384)
Provision for income tax		-	-	-		-		-
Net income (loss)	$	5,491	813	(9,020)		332		(2,384)
Expenditures for segment assets	$	489	273	744		-		1,506
Depreciation and amortization	$	433	333	939		-		1,705

(1) Includes a reconciling item of $332,000 associated with capitalized interest on real estate development and joint venture activities in excess of interest expense incurred in the BBX reportable segment for the s months ended June 30, 2016.

(2) Included in Sweet Holdings “other costs and expenses” were $3.0 million of inventory writedowns as well as $0.4 million of intangible asset impairments and $0.4 million of contract termination costs associated with the closing and relocation of the Jer’s sales office and distribution facilities

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For the Three Months Ended:		BBX	Renin	Sweet Holdings	Adjusting and Elimination Entries		Segment Total
June 30, 2015:							
Interest income	$	2,090	-	-	-		2,090
Revenues		16,942	15,432	4,151	-		36,525
Total revenues		19,032	15,432	4,151	-		38,615
Interest expense		(15)	(76)	(169)	229		(31)
Recoveries from loan losses, net		6,609	-	(1)	-		6,608
Asset recoveries, net		810	-	-	-		810
Other costs and expenses		(8,133)	(15,259)	(6,123)	-		(29,515)
Total costs and expenses		(729)	(15,335)	(6,293)	229	(1)	(22,128)
Equity in losses of unconsolidated companies		(10,459)	-	-	-		(10,459)
Foreign exchange gain		-	70	-	-		70
Segment income (loss) before income taxes		7,844	167	(2,142)	229		6,098
Provision (benefit) for income tax		2	-	(224)	-		(222)
Net income (loss)	$	7,842	167	(1,918)	229		6,320
Total assets	$	637,665	24,072	34,691	(307,803)		388,625
Equity method investments included in total assets	$	79,019	-	1	-		79,020
Expenditures for segment assets	$	16	34	282	-		332
Depreciation and amortization	$	302	151	412	-		865

(1) Includes a reconciling item of $229,000 associated with capitalized interest on real estate development and joint venture activities in excess of interest expense incurred in the BBX reportable segment for the three months ended June 30, 2015.

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For the Six Months Ended:		BBX	Renin	Sweet Holdings	Adjusting and Elimination Entries		Segment Total
June 30, 2015:							
Interest income	$	2,908	-	-	-		2,908
Revenues		18,298	28,956	10,162	-		57,416
Total revenues		21,206	28,956	10,162	-		60,324
Interest expense		(72)	(149)	(329)	362		(188)
Recoveries from loan losses, net		10,430	-	(1)	-		10,429
Asset recoveries, net		1,873	-	-	-		1,873
Other costs and expenses		(18,660)	(29,068)	(12,373)	-		(60,101)
Total costs and expenses		(6,429)	(29,217)	(12,703)	362	(1)	(47,987)
Equity in losses of unconsolidated companies		(4,960)	-	-	-		(4,960)
Foreign exchange gain		-	(399)	-	-		(399)
Segment income (loss) before income taxes		9,817	(660)	(2,541)	362		6,978
Provision (benefit) for income tax		5	-	(224)	-		(219)
Net income (loss)	$	9,812	(660)	(2,317)	362		7,197
Expenditures for segment assets	$	29	34	590	-		653
Depreciation and amortization	$	541	300	831	-		1,672

(1) Includes a reconciling item $362,000 associated with capitalized interest on real estate development and joint venture activities in excess of interest expense incurred in the BBX reportable segment for the six months ended June 30, 2015.

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10. Fair Value Measurement

There were no assets or liabilities measured at fair value on a recurring basis in BBX Capital’s financial statements as of June 30, 2016 and December 31, 2015.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2016 (in thousands):

		Fair Value Measurements Using			
Description	Carrying Amount As of June 30, 2016	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 Six Months Ended June 30, 2016
Loans measured for impairment using the fair value of the underlying collateral	$ 5,703	-	-	5,703	93
Impaired real estate held-for-sale	4,432	-	-	4,432	2,456
Total	$ 10,135	-	-	10,135	2,549

(1) Total impairments represent the amount of losses recognized during the six months ended June 30, 2016 on assets that were held and measured at fair value as of June 30, 2016.

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 June 30, 2016 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)

Loans measured for impairment using the fair value of the underlying collateral	$ 5,703	Fair Value of Collateral	Discount Rates and Appraised Value less Cost to Sell	$0.2 - $0.7 million ($0.4 million)
Impaired real estate held-for-sale	4,432	Fair Value of Property	Asset Purchase Agreements	$0.3 - $1.5 million ($0.8 million)
Total	$ 10,135			

(1) Range and average appraised values were reduced by costs to sell.

(2) Average was computed by dividing the aggregate amounts by the number of loans or real estate properties.

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The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2015 (in thousands):

			Fair Value Measurements Using			
Description		Carrying Amount As of June 30, 2015	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 Six Months Ended June 30, 2015
Loans measured for impairment using the fair value of the underlying collateral	$	110	-	-	110	117
Impaired real estate held-for-sale and held-for-investment		2,525	-	-	2,525	522
Total	$	2,635	-	-	2,635	639

(1) Total impairments represent the amount of losses recognized during the six months ended June 30, 2015 on assets that were held and measured at fair value as of June 30, 2015.

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 June 30, 2015 Description		Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)
Loans measured for impairment using the fair value of the underlying collateral	$	110	Fair Value of Collateral	Discount Rates and Appraised Value less Cost to Sell	$0.3 million ($0.3 million)
Impaired real estate held-for-sale and held-for-investment		2,525	Fair Value of Property	Discount Rates and Appraised Value less Cost to Sell	$0.2 - $1.0 million ($0.5 million)

Total	$ 2,635

(1) Range and average appraised values were reduced by costs to sell.

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

There were no material liabilities measured at fair value on a non-recurring basis in BBX Capital's financial statements as of June 30, 2016 or December 31, 2015.

Loans Measured For Impairment

Impaired loans are generally valued based on the fair value of the underlying collateral less cost to sell as the majority of BBX Capital's loans are collateral dependent. The fair value of BBX Capital's loans may significantly increase or decrease based on changes in property values. BBX Capital primarily uses third party appraisals to assist in measuring non-homogenous impaired loans and broker price opinions to assist in measuring homogenous impaired loans. The appraisals generally use the market or income approach valuation technique and use market observable data to formulate an estimate of the fair value of the loan's collateral. However, the appraiser uses professional judgment in determining the fair value of the collateral, and BBX Capital may also adjust these values for changes in market conditions subsequent to the appraisal date. When current appraisals are not available for certain loans, BBX Capital uses its judgment on market conditions to adjust the most current appraisal. As a consequence, the calculation of the fair value of the collateral is considered a Level 3 input. BBX Capital generally recognizes impairment losses based on third party broker price opinions 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 discount rates and foreclosure time frames and exposure periods.

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

Real estate is generally valued using third party appraisals or broker price opinions. These appraisals generally use the market or income approach valuation techniques and use market observable data to formulate an estimate 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. The above inputs are considered Level 3 inputs as the appraiser uses professional judgement in the calculation of the fair value of the properties.

The following table presents the fair value of BBX Capital's consolidated financial instruments as of June 30, 2016:

				Fair Value Measurements Using		
(in thousands) Description		Carrying Amount As of June 30, 2016	Fair Value As of June 30, 2016	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 cash equivalents	$	96,658	96,658	96,658	-	-
Loans receivable		34,218	44,067	-	-	44,067
Restricted cash and time deposits at financial institutions		1,345	1,345	1,345	-	-
Financial liabilities:						
Notes payable		21,947	22,092	-	-	22,092
Principal and interest advances on residential loans		9,984	9,482	-	-	9,482

The following table presents the fair value of BBX Capital's financial instruments as of December 31, 2015:

	Fair Value Measurements Using
Carrying	

(in thousands) Description		Amount As of December 31, 2015	Fair Value As of December 31, 2015	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 cash equivalents	$	69,040	69,040	69,040	-	-
Loans receivable including loans held-for-sale, net		55,389	63,668	-	-	63,668
Restricted cash and time deposits at financial institutions		2,651	2,651	2,651	-	-
Financial liabilities:						
Notes payable		21,385	21,514	-	-	21,514
Principal and interest advances on residential loans		10,356	9,630	-	-	9,630

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 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. BBX Capital'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, BBX Capital 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.

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

The fair value of loans is calculated by using an income approach with Level 3 inputs. The fair value of loans is estimated by discounting forecasted cash flows using estimated market discount rates that reflect the interest rate and credit risk inherent in the loan portfolio. Management assigns a credit risk premium and an illiquidity adjustment to these loans based on delinquency status. The fair value of collateral dependent loans is estimated using an income approach with Level 3 inputs utilizing the fair value of the collateral adjusted for operating and selling expenses and discounted over the estimated holding period based on the market risk inherent in the property.

The fair value of notes payables and principal and interest advances on residential loans were measured using the income approach with Level 3 inputs obtained by discounting the forecasted cash flows based on estimated market rates.

11. Commitments and Contingencies

BBX Capital guarantees certain obligations of its wholly-owned subsidiaries and unconsolidated real estate joint ventures as follows:

During the year ended December 31, 2014, the Sunrise and Bayview Partners, LLC joint venture owned 50% by Procacci Bayview, LLC and 50% by a wholly-owned subsidiary of BBX Capital refinanced its land acquisition loan with a financial institution. BBX Capital provided the financial institution with a guarantee of 50% of the outstanding balance of the joint venture's loan which had an outstanding balance of $5.0 million as of June 30, 2016.

In July 2014, BBX Capital entered into the Hialeah Communities joint venture with CC Bonterra to develop approximately 394 homes in a portion of the newly proposed Bonterra community in Hialeah, Florida. BBX Capital 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 March 2015, the joint venture refinanced the $8.3 million mortgage loan as part of a $31.0 million acquisition and development loan. In March 2016, the loan was modified reducing the loan balance from $31.0 million to $26.5 million. BBX Capital is a guarantor of up to $7.5 million of the joint venture's $26.5 million acquisition and development loan.

BBX Capital is a guarantor on a $5.5 million note payable of Anastasia owed to the seller. The Anastasia note payable is also secured by the common stock of Anastasia.

On August 7, 2015, BBX Sweet Holdings entered into a Loan and Security Agreement and related agreements with Iberiabank, which provides for borrowings of up to $5.0 million on a revolving basis. The outstanding balance of the Iberiabank facility was $5.0 million as of June 30, 2016. In February 2016, BBX Capital executed Addendum No. 1 to the Iberiabank Loan and Security Agreement. The addendum replaced the debt service coverage financial covenant with a working capital to debt ratio financial covenant. The facility is secured by the assets of BBX Sweet Holdings and its subsidiaries and is guaranteed by BBX Capital. BBX Sweet Holdings was in compliance with the debt financial covenants as of June 30, 2016.

BBX Sweet Holdings and BBX Capital are guarantors of a $1.6 million note payable of Hoffman's owed to Centennial Bank. This note is secured by $2.1 million of properties and equipment.

In connection with the Kencraft acquisition, BBX Sweet Holdings issued a $400,000 note payable maturing on April 1, 2017 to the seller. BBX Capital is the guarantor on this note payable.

BBX Capital and its consolidated subsidiaries are parties to lawsuits as plaintiff or defendant involving its collections, lending and prior period tax certificate activities. Although BBX Capital believes it has meritorious defenses in all current legal actions, the outcome of litigation and the ultimate resolution are uncertain and inherently difficult to predict.

Reserves are accrued for matters in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The actual co