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BLUEGREEN CORP  
Form 10-Q  
August 09, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-19292

[LOGO]

Bluegreen Corporation

(Exact name of registrant as specified in its charter)

Massachusetts

03-0300793

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer Identification No.)

4960 Conference Way North, Suite 100,  
Boca Raton, Florida

33431

-----  
(Address of principal  
executive offices)

-----  
(Zip Code)

(561) 912-8000

-----  
(Registrant's telephone number, including area code)

-----  
(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ 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

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"accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 4, 2006, there were 30,548,385 shares of the registrant's common stock, \$.01 par value, outstanding.

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#### TRADEMARKS

The terms "Bluegreen(R)," "Bluegreen Communities(R)," and "Bluegreen Vacation Club(R)" "Colorful Places To Live And Play(R)," and the "Bluegreen logo(R)" are registered in the U.S. Patent and Trademark Office by Bluegreen Corporation.

The terms "The Hammocks at Marathon(TM)," "Orlando's Sunshine Resort(TM)," "Solara Surfside(TM)," "Mountain Run at Boyne(TM)," "The Falls Village(TM)," "Bluegreen Wilderness Club(TM) at Big Cedar(R)," "The Lodge Alley Inn(TM)," "Carolina Grande(TM)" "Harbour Lights(TM)," "SeaGlass Tower(TM)" "Shore Crest Vacation Villas(TM)," "Laurel Crest(TM)," "MountainLoft(TM)," "Daytona SeaBreeze(TM)," "Shenandoah Crossing(TM)," "Christmas Mountain Village(TM)," "Traditions of Braselton(TM)," "Sanctuary Cove at St. Andrews Sound(TM),"

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"Catawba Falls Preserve(TM)," "Mountain Lakes Ranch(TM)," "Silver Lakes Ranch(TM)," "Mystic Shores(TM)," "Lake Ridge at Joe Pool Lake(TM)," "Ridge Lake Shores(TM)," "Mountain Springs Ranch(TM)," "Havenwood at Hunter's Crossing(TM)," "Vintage Oaks at the Vineyard(TM)," "The Bridges at Preston Crossing(TM): "Saddle Creek Forest(TM)," "The Settlement at Patriot Ranch(TM)," "Carolina National(TM)," "Brickshire(TM)," "Golf Club at Brickshire(TM)," and "Preserve at Jordan Lake(TM)" are trademarks or service marks of Bluegreen Corporation in the United States.

The term "Big Cedar(R)" is registered in the U.S. Patent and Trademark Office by Bass Pro Trademarks, LP.

The term "Bass Pro Shops(R)" is registered in the U.S. Patent and Trademark Office by Bass Pro Trademarks, LP.

The term "World Golf Village(R)" is registered in the U.S. Patent and Trademark Office by World Golf Foundation, Inc.

All other marks are registered marks of their respective owners.

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### PART I - FINANCIAL INFORMATION

#### Item 1. Financial Statements.

##### BLUEGREEN CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except per share data)

	December 31, 2005
	-----
ASSETS	
Cash and cash equivalents (including restricted cash of approximately \$18,321 and \$26,818 at December 31, 2005 and June 30, 2006, respectively) .....	\$ 84,704
Contracts receivable, net .....	27,473
Notes receivable (net of allowance of approximately \$10,869 and \$17,518 at December 31, 2005 and June 30, 2006, respectively) .....	127,783
Prepaid expenses .....	6,500
Other assets .....	17,156
Inventory, net .....	240,969
Retained interests in notes receivable sold .....	105,696
Property and equipment, net .....	79,634
Intangible assets and goodwill .....	4,328
	-----
Total assets .....	\$ 694,243
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities	
Accounts payable .....	\$ 11,071
Accrued liabilities and other .....	43,801
Deferred income .....	29,354
Deferred income taxes .....	75,404
Receivable-backed notes payable .....	35,731
Lines-of-credit and notes payable .....	61,428

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10.50% senior secured notes payable .....	55,000
Junior subordinated debentures .....	59,280
	-----
Total liabilities .....	371,069
Minority interest .....	9,508
Commitments and contingencies	
Shareholders' Equity	
Preferred stock, \$.01 par value, 1,000 shares authorized; none issued .....	--
Common stock, \$.01 par value, 90,000 shares authorized; 33,193 and 33,298 shares issued at December 31, 2005 and June 30, 2006, respectively .....	333
Additional paid-in capital .....	169,684
Treasury stock, 2,756 common shares at both December 31, 2005 and June 30, 2006, at cost .....	(12,885)
Accumulated other comprehensive income, net of income taxes .....	8,575
Retained earnings .....	147,959
	-----
Total shareholders' equity .....	313,666
	-----
Total liabilities and shareholders' equity .....	\$ 694,243
	=====

Note: The condensed consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

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## BLUEGREEN CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data) (Unaudited)

	Three Mo Jun
	-----
	2005
	-----
Revenues:	
Sales of real estate .....	\$ 159,328
Other resort and communities operations revenue .....	18,648
Interest income .....	8,282
Gain on sales of notes receivable .....	4,878
Other income, net .....	--
	-----
	191,136
Costs and expenses:	
Cost of real estate sales .....	51,109
Cost of other resort and communities operations .....	19,363
Selling, general and administrative expenses .....	81,117

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Interest expense .....	4,053
Provision for loan losses .....	7,476
Other expense, net .....	2,826
	-----
	165,944
	-----
Income before minority interest and provision for income taxes .....	25,192
Minority interest in income of consolidated subsidiary .....	948
	-----
Income before provision for income taxes .....	24,244
Provision for income taxes .....	9,334
	-----
Net income .....	\$ 14,910
	=====
Net income per common share:	
Basic .....	\$ 0.49
	=====
Diluted .....	\$ 0.48
	=====
Weighted average number of common and common equivalent shares:	
Basic .....	30,346
	=====
Diluted .....	31,188
	=====

See accompanying notes to condensed consolidated financial statements.

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## BLUEGREEN CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data) (Unaudited)

	Six Mon
	Jun
	-----
	2005
	-----
Revenues:	
Sales of real estate .....	\$ 263,349
Other resort and communities operations revenue .....	36,692
Interest income .....	16,148
Gain on sales of notes receivable .....	9,598
	-----
	325,787
Costs and expenses:	
Cost of real estate sales .....	83,996
Cost of other resort and communities operations .....	38,999
Selling, general and administrative expenses .....	142,939
Interest expense .....	7,634
Provision for loan losses .....	12,164
Other expense, net .....	3,684
	-----

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	289,416
	-----
Income before minority interest and provision for income taxes .....	36,371
Minority interest in income of consolidated subsidiary .....	1,721
	-----
Income before provision for income taxes and change in accounting principle .....	34,650
Provision for income taxes .....	13,340
	-----
Income before cumulative effect of change in accounting principle .....	21,310
Cumulative effect of change in accounting principle, net of tax .....	--
Minority interest in income of cumulative effect of change in accounting principle .....	--
	-----
Net income .....	\$ 21,310
	=====
Income before cumulative effect of change in accounting principle per common share:	
Basic .....	\$ 0.70
	=====
Diluted .....	\$ 0.68
	=====
Cumulative effect of change in accounting principle, net of tax and net of minority interest in income of cumulative effect of change in accounting principle per common share:	
Basic .....	\$ --
	=====
Diluted .....	\$ --
	=====
Net income per common share:	
Basic .....	\$ 0.70
	=====
Diluted .....	\$ 0.68
	=====
Weighted average number of common and common equivalent shares:	
Basic .....	30,332
	=====
Diluted .....	31,246
	=====

See accompanying notes to condensed consolidated financial statements.

## BLUEGREEN CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands) (Unaudited)

Six Mon  
Jun

2005

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## Operating activities:

Net income .....	\$ 21,310
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Cumulative effect of change in accounting principle, net .....	--
Non-cash stock compensation expense .....	288
Minority interest in income of consolidated subsidiary .....	1,721
Depreciation and amortization .....	10,003
Gain on sales of notes receivable .....	(9,623)
Loss on disposal of property and equipment .....	6
Provision for loan losses .....	12,164
Provision for deferred income taxes .....	13,340
Interest accretion on retained interests in notes receivable sold .....	(4,362)
Proceeds from sales of notes receivable .....	76,388
Proceeds from borrowings collateralized by notes receivable .....	20,459
Payments on borrowings collateralized by notes receivable .....	(31,302)
Change in operating assets and liabilities:	
Contracts receivable .....	(26,311)
Notes receivable .....	(85,349)
Inventory .....	21,832
Prepaid expenses and other assets .....	(2,266)
Accounts payable, accrued liabilities and other .....	16,882
Net cash provided (used) by operating activities .....	35,180
Investing activities:	
Purchases of property and equipment .....	(9,719)
Installment payments on business acquisition .....	(500)
Investments in statutory business trusts .....	(1,780)
Cash received from retained interests in notes receivable sold .....	4,936
Net cash (used) provided by investing activities .....	(7,063)
Financing activities:	
Borrowings under line-of-credit facilities and other notes payable .....	11,219
Payments under line-of-credit facilities and other notes payable .....	(48,081)
Payments on 10.50% senior secured notes payable .....	(55,000)
Proceeds from issuance of junior subordinated debentures .....	59,280
Payments of debt issuance costs .....	(2,629)
Proceeds from exercise of stock options .....	746
Net cash (used) provided by financing activities .....	(34,465)
Net decrease in cash and cash equivalents .....	(6,348)
Cash and cash equivalents at beginning of period .....	100,565
Cash and cash equivalents at end of period .....	94,217
Restricted cash and cash equivalents at end of period .....	(20,877)
Unrestricted cash and cash equivalents at end of period .....	\$ 73,340

See accompanying notes to condensed consolidated financial statements.

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(Unaudited)

	Six Mon Jun
	-----
	2005
	-----
Supplemental schedule of non-cash operating, investing and financing activities:	
Inventory acquired through financing .....	\$ 11,710
	=====
Inventory acquired through foreclosure or deedback in lieu of foreclosure .....	\$ 5,560
	=====
Property and equipment acquired through financing .....	\$ 279
	=====
Retained interests in notes receivable sold .....	\$ 14,449
	=====
Change in net unrealized gains in retained interests in notes receivable sold .....	\$ 39
	=====

See accompanying notes to condensed consolidated financial statements.

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## BLUEGREEN CORPORATION

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(Unaudited)

#### 1. Organization and Significant Accounting Policies

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

The financial information furnished herein reflects all adjustments consisting of normal recurring items that, in our opinion, are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The results of operations for the six months ended June 30, 2006, are not necessarily indicative of the results to be expected for the year ending December 31, 2006. For further information, refer to our audited consolidated financial statements for the year ended December 31, 2005, which are included in our 2005 Annual Report on Form 10-K.

#### Organization

We provide leisure products and lifestyle choices through our resorts and residential communities businesses. Our resorts business ("Bluegreen Resorts") acquires, develops, markets, sells and manages real estate based vacation



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ownership interests ("VOIs") in resorts generally located in popular, high-volume, "drive-to" vacation destinations. VOIs in many of our resorts entitle the buyer to use resort accommodations through an annual or biennial allotment of "points" which represent their ownership and beneficial rights in perpetuity in our Bluegreen Vacation Club (supported by an underlying deeded vacation ownership interest being held in trust for the buyer). Depending on the extent of their ownership and beneficial rights, members in our Bluegreen Vacation Club may stay in any of our participating resorts or take advantage of other vacation options, including cruises and stays at approximately 3,700 resorts offered by a third-party, worldwide vacation ownership exchange network. We are currently marketing and selling VOIs in 21 resorts located in the United States and Aruba, 19 of which have active sales offices. We also sell VOIs at seven off-site sales offices located in the United States. Our residential communities business ("Bluegreen Communities") acquires, develops and subdivides property and markets residential land homesites, the majority of which are sold directly to retail customers who seek to build a home in a high quality residential setting, in some cases on properties featuring a golf course and other related amenities. During the six months ended June 30, 2006, sales generated by Bluegreen Resorts comprised approximately 63% of our total sales of real estate while sales generated by Bluegreen Communities comprised approximately 37% of our total sales of real estate. Our other resort and communities operations revenues consist primarily of mini-vacation package sales, vacation ownership tour sales, resort property management services, resort title services, resort amenity operations, sales incentives provided to buyers of VOIs, rental brokerage services, realty operations and daily-fee golf course operations. We also generate significant interest income by providing financing to individual purchasers of VOIs.

### Principles of Consolidation

Our condensed consolidated financial statements include the accounts of all of our wholly-owned subsidiaries and entities in which we hold a controlling financial interest. The only non-wholly owned subsidiary that we consolidate is Bluegreen/Big Cedar Vacations, LLC (the "Joint Venture"), as we hold a 51% equity interest in the Joint Venture, have an active role as the day-to-day manager of the Joint Venture's activities and have majority voting control of the Joint Venture's management committee. Additionally, we do not consolidate our wholly-owned statutory business trusts formed to issue trust preferred securities as these entities are each variable interest entities in which we are not the primary beneficiary as defined by Financial Accounting Standards Board ("FASB") Interpretation No. 46R. The statutory business trusts are accounted for under the equity method of accounting. We have eliminated all significant intercompany balances and transactions.

### Use of Estimates

United States generally accepted accounting principles require us to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Reclassifications

We have made certain reclassifications of prior period amounts to conform to the current period presentation.

### Earnings Per Common Share

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We compute basic earnings per common share by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per common share is computed in the same manner as basic earnings per share, but also gives effect to all dilutive stock options using the treasury stock method. There were approximately 0.8 million stock options not included in diluted earnings per common share during the three and six months ended June 30, 2006, as the effect would be anti-dilutive. There were no anti-dilutive stock options during the three and six months ended June 30, 2005.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Basic and diluted earnings per share - numerator:				
Net income .....	\$14,910	\$ 6,580	\$21,310	\$ 6,580
	=====	=====	=====	=====
Denominator:				
Denominator for basic earnings per share - weighted-average shares .....	30,346	30,526	30,332	30,526
	-----	-----	-----	-----
Effect of dilutive securities:				
Stock options .....	842	528	914	
	-----	-----	-----	-----
Denominator for diluted earnings per share - adjusted weighted-average shares .....	31,188	31,054	31,246	31,054
	=====	=====	=====	=====
Basic earnings per common share .....	\$ 0.49	\$ 0.22	\$ 0.70	\$ 0.22
	=====	=====	=====	=====
Diluted earnings per common share .....	\$ 0.48	\$ 0.21	\$ 0.68	\$ 0.21
	=====	=====	=====	=====

### Retained Interests in Notes Receivable Sold

When we sell our notes receivable either pursuant to our vacation ownership receivables purchase facilities (more fully described in Note 2) or through term securitizations, we evaluate whether or not such transfers should be accounted for as a sale pursuant to Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, ("SFAS No. 140") and related interpretations. The evaluation of sale treatment under SFAS No. 140 involves legal assessments of the transactions, which include determining whether the transferred assets have been isolated from us (i.e. put presumptively beyond our reach and our creditors, even in bankruptcy or other receivership), determining whether each transferee has the right to pledge or exchange the assets it received, and ensuring that we do not maintain effective control over the transferred assets through either an agreement that (1) both entitles and obligates us to repurchase or redeem the assets before their maturity or (2) provides us with the ability to unilaterally cause the holder to return the assets (other than through a cleanup call).

In connection with such transactions, we retain subordinated tranches, rights to excess interest spread and servicing rights, all of which are retained interests in the notes receivable sold. Gain or loss on the sale of the

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receivables depends in part on the allocation of the previous carrying amount of the financial assets involved in the transfer between the assets sold and the retained interests based on their relative fair value at the date of transfer.

We consider our retained interests in notes receivable sold as available-for-sale investments and, accordingly, carry them at fair value in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized holding gains or losses on our retained interests in notes receivable sold are included in our shareholders' equity, net of income taxes. Declines in fair value that are determined to be other than temporary are charged to operations.

We measure the fair value of the retained interests in the notes receivable sold initially and on a quarterly basis based on the present value of future expected cash flows estimated using our best estimates of the key assumptions - prepayment rates, loss severity rates, default rates and discount rates commensurate with the risks involved. Interest on the retained interests in notes receivable sold is accreted using the effective yield method.

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### Stock-Based Compensation

Effective January 1, 2006, we adopted the provisions of SFAS No. 123 (revised 2004), Share-Based Payment, ("SFAS No. 123R") for our share-based compensation plans. We previously accounted for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, ("APB 25") and related interpretations and disclosure requirements established by SFAS No. 123, Accounting for Stock-based Compensation, as amended by SFAS No. 148, Accounting for Stock Based Compensation--Transition and Disclosure. Under APB 25, compensation expense was generally not recorded in earnings for our stock-based options granted under the Bluegreen Corporation 1995 Stock Incentive Plan, 1998 Non-Employee Director Stock Option Plan, or the Bluegreen Corporation 2005 Stock Incentive Plan (collectively, the "Plans"). The pro forma effects on net income and earnings per share for the awards issued under the Plans were instead previously disclosed in a footnote to the financial statements. Under SFAS No. 123R, all share-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period.

We adopted SFAS No. 123R using the modified prospective method. Under this transition method, for all share-based awards granted prior to January 1, 2006 that were outstanding as of that date, compensation cost is recognized for the unvested portion over the remaining requisite service period, using the grant-date fair value measured under the original provisions of SFAS No. 123 for pro forma disclosure purposes. Compensation costs will also be recognized for any awards issued, modified, repurchased, or canceled after January 1, 2006.

We utilized the Black-Scholes model for calculating the fair value pro forma disclosures under SFAS No. 123 and will continue to use this model, which is an acceptable valuation approach under SFAS No. 123R. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, this model requires the input of subjective assumptions, including the expected price volatility of the underlying stock. Projected data related to the expected volatility and expected life of stock options is based upon historical and other information. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore, the existing valuation models do not provide a precise measure of the fair value of our employee stock

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options.

SFAS No. 123R also requires us to estimate forfeitures in calculating the expense relating to stock-based compensation as opposed to accounting for forfeitures as they occur, which was allowed under SFAS No. 123. We adjusted for this effect with respect to unvested options as of January 1, 2006 in the stock-based compensation expense recognized, which is recorded within selling, general and administrative expense on our condensed consolidated statement of income. This adjustment was not recorded as a cumulative effect adjustment because no compensation cost was recognized prior to the adoption of SFAS No. 123R. In addition, SFAS No. 123R requires us to reflect the tax savings resulting from tax deductions in excess of expense reflected in its financial statements as a financing cash flow rather than as an operating cash flow as in prior periods.

Total compensation costs related to stock-based compensation charged against income during the three and six months ended June 30, 2006 were \$0.4 million and \$0.9 million, respectively. There were no stock options granted to our employees or non-employee directors during the six months ended June 30, 2005 or 2006. On July 3, 2006, stock options to acquire an aggregate of approximately 43,000 shares of our common stock were granted to certain of our non-employee directors at an exercise price of \$11.43, which was equal to the closing price of our common stock on the date of grant. On July 19, 2006 our Board of Directors granted stock options for 540,000 shares of our common stock to our Chairman and Vice Chairman and the Company's senior management at an exercise price of \$12.07, which was equal to the closing price of our common stock on the date of grant.

SFAS No. 123R requires companies to continue to provide the pro forma disclosures required by SFAS No. 123 for all periods presented in which share-based payments were accounted for under the intrinsic value method of APB 25. The following table illustrates the effect on net income and earnings per share as if we had applied the fair-value recognition provisions of SFAS No. 123 to all of our share-based compensation awards for periods prior to the adoption of SFAS No. 123R (in thousands, except per share data):

	Three Months Ended June 30, 2005 ----- (Pro Forma)	Six Months Ended June 30, 2006 ----- (Pro Forma)
Net income .....	\$ 14,910	\$ 21,31
Add: Total stock-based compensation expense included in the determination of reported net income, net of related tax effects .....	177	17
Deduct: Total stock-based compensation expense determined under the fair value-based method for all awards, net of related tax effects .....	(238)	(29)
Pro forma net income	=====	=====
Earnings per share:		
Basic .....	\$ 0.49	\$ 0.7
	-----	-----

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Diluted .....	\$	0.48	\$	0.6
	=====		=====	
Pro forma earnings per share:				
Basic .....	\$	0.49	\$	0.7
	=====		=====	
Diluted .....	\$	0.48	\$	0.6
	=====		=====	

## Comprehensive Income

Accumulated other comprehensive income on our condensed consolidated balance sheets is comprised of net unrealized gains on retained interests in notes receivable sold, which are held as available-for-sale investments. The following table discloses the components of our comprehensive income for the periods presented (in thousands):

	Three Months Ended June 30,		Six
	2005	2006	200
Net income .....	\$ 14,910	\$ 6,580	\$ 21,
Change in net unrealized gains on retained interests in notes receivable sold, net of income taxes .....	(434)	(2,058)	
Total comprehensive income .....	\$ 14,476	\$ 4,522	\$ 21,
	=====	=====	=====

## Cumulative Effect of Change in Accounting Principle from the Adoption of SFAS No. 152

Effective January 1, 2006, we adopted SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions. This statement amends SFAS No. 66, Accounting for Sales of Real Estate, and SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, in association with the issuance of American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 04-2, Accounting for Real Estate Time-Sharing Transactions. SFAS No. 152 was issued to address the diversity in practice resulting from a lack of guidance specific to the timeshare industry. Among other things, the new standard addresses the treatment of sales incentives provided by a seller to a buyer to consummate a transaction, the calculation of and presentation of uncollectible notes receivable, the recognition of changes in inventory cost estimates, recovery or repossession of VOIs, selling and marketing costs, operations during holding periods, developer subsidies to property owners' associations and upgrade and reload transactions. Restatement of previously reported financial statements is not permitted. Accordingly, as a result of the adoption of SFAS No. 152, our financial statements for periods beginning on or after January 1, 2006 are not comparable, in all respects, with those prepared for periods ending prior to January 1, 2006.

Many sellers of timeshare interests provide incentives to customers in connection with the purchase of a VOI. Under SFAS No. 152, the value of such incentives and other similarly treated items is separated from revenue from the sale of VOIs and recorded on a different line item within the statements of income, in our case other resort and communities operations revenue. Furthermore, SFAS No. 152 requires that incentives and other similarly treated items such as cash credits earned through our Sampler program be considered in

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calculating the buyer's down payment toward the buyer's commitment, as defined in SFAS No. 152, in purchasing the VOI. Our Sampler Program provides purchasers with an opportunity to utilize our vacation ownership product during a one year trial period. In the event the Sampler purchaser subsequently purchases a vacation ownership interest from us, a portion of the amount paid for their Sampler Package is credited toward the down payment on the subsequent purchase. Under SFAS No. 152, the credit given is treated similarly

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to a sales incentive. If after considering the sales incentive the required buyer's commitment amount, defined as 10% of sales value, is not met, the VOI revenue and related cost of sales and direct selling costs are deferred and recognized under the installment method until the buyer's commitment test is satisfied, generally through the receipt of required mortgage note payments from the buyer. The net deferred VOI revenue and related costs are recorded as a component of deferred income in the accompanying balance sheet as of June 30, 2006. Prior to the adoption of SFAS No. 152, sales incentives were not recorded apart from VOI revenue and were not considered in determining the customer down payment required in the buyer's commitment in purchasing the VOIs.

SFAS No. 152 also amends the relative sales value method of recording VOI cost of sales. Specifically, consideration is now given not only to the costs to build or acquire a project and the total revenue expected to be earned on a project, but also to the sales of recovered vacation ownership interests reacquired on future cancelled or defaulted sales. The cost of VOI sales is calculated by estimating these future costs and recoveries. Prior to the adoption of SFAS No. 152, we did not include the recovery of VOIs in our projected revenues in determining the related cost of the VOIs sold.

SFAS No. 152 changes the treatment of losses on vacation ownership notes and contracts receivable and provides specific guidance on methods to estimate losses. Specifically, SFAS No. 152 requires that the estimated losses on originated mortgages exclude an estimate for the value of recoveries as the recoveries are to be considered in inventory costing, as described above. In addition, the standard requires a change in the classification of our provision for loan losses for vacation ownership receivables that were historically recorded as an expense, requiring that such amount be reflected as a reduction of VOI sales. Furthermore, if we sell our vacation ownership notes receivables in a transaction that qualifies for off-balance sheet sales treatment under SFAS No. 140, the associated allowance for loan losses related to the sold receivables is reversed and reflected as an increase to VOI sales. Prior to the adoption of SFAS No. 152, the allowance on sold receivables was recorded as a component of the gain on sale.

Under SFAS No.152, rental operations, including the usage of our Sampler program, are accounted for as incidental operations whereby incremental costs in excess of incremental revenue are charged to expense as incurred. Conversely, incremental revenue in excess of incremental costs is recorded as a reduction to the cost of unsold VOIs. Incremental costs include costs that have been incurred by us during the holding period of the unsold VOIs, such as developer subsidies and maintenance fees. During the three and six months ended June 30, 2006, all of our rental revenue and Sampler revenue recognized was recorded as an off-set to cost of other resort and communities operations revenue as such amounts were less than the incremental cost. Prior to the adoption of SFAS No. 152, rental revenues were separately presented in the consolidated statements of income as a component of other resort and communities operations revenue and a portion of Sampler proceeds were deferred until the buyer purchased a VOI or the Sampler usage period expired.

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The adoption of SFAS No. 152 on January 1, 2006 resulted in a net charge of \$4.5 million, which is presented as a cumulative effect of change in accounting principle, net of the related tax benefit and the charge related to minority interest.

### Recent Accounting Pronouncements

In March 2006, the Financial Accounting Standards Board issued SFAS No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140, which amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, ("SFAS No. 140"). SFAS No. 156 changes SFAS No. 140 by requiring that Mortgage Servicing Rights ("MSRs") be initially recognized at their fair value and by providing the option to either: (1) carry MSRs at fair value with changes in fair value recognized in earnings; or (2) continue recognizing periodic amortization expense and assess the MSRs for impairment as originally required by SFAS No. 140. This option may be applied by class of servicing asset or liability. SFAS No. 156 is effective for all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006, with early adoption permitted. The Company will adopt SFAS No. 156 effective January 1, 2007. We have not yet completed our analysis of the impact this Interpretation will have on our financial condition, results of operations, cash flows or disclosures.

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Interpretation is effective for fiscal years beginning after December 15, 2006. We have not yet completed our analysis of the impact this Interpretation will have on our financial condition, results of operations, cash flows or disclosures.

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### 2. Sales of Notes Receivable

On December 28, 2005, BB&T Capital Markets, a division of Scott & Stringfellow, Inc., consummated a \$203.8 million private offering and sale of vacation ownership receivable-backed securities (the "2005 Term Securitization"). In addition, the 2005 Term Securitization allowed for us to sell an additional \$35.3 million in aggregate principal of our qualifying vacation ownership receivables (the "Pre-funded Receivables"). On December 29, 2005, we sold \$16.7 million in Pre-funded Receivables. On March 1, 2006, we sold the \$18.6 million balance of Pre-funded Receivables.

On March 28, 2006, we sold \$22.3 million in vacation ownership receivables pursuant to a vacation ownership receivables purchase facility (the "2006-A GE Purchase Facility") with General Electric Real Estate ("GE"). In connection with this transaction, we recognized an aggregate gain of \$3.4 million. On May 23, 2006, we sold an additional \$16.6 million in vacation ownership receivables pursuant to the 2006-A GE Purchase Facility. In connection with this transaction, we recognized an aggregate gain of \$2.7 million. Under the 2006-A GE Purchase Facility, a variable purchase price of approximately 90% of the principal balance of the receivables sold, subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as GE has received a specified return, a specified over-collateralization ratio is achieved, a cash reserve account is fully funded

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and all servicing, custodial, agent and similar fees and expenses have been paid. GE earns a return equal to the applicable Swap Rate (which is essentially a published interest swap arrangement rate as defined in the 2006-A GE Purchase Facility agreements) plus 2.35%, subject to use of alternate return rates in certain circumstances. Subject to compliance with the terms and conditions of funding, the 2006-A GE Purchase Facility allows for sales of notes receivable for a cumulative purchase price of up to \$125.0 million through March 2008. As of June 30, 2006, the remaining availability under the 2006-A GE Purchase Facility was \$89.9 million, subject to eligibility requirements and fulfillment of conditions precedent.

Sales of notes receivable under the above mentioned transactions were as follows (in millions):

Sale Facility	Aggregate Principal Balance of Notes Receivable	Purchase Price	Gain Recognized	Initial Fa Retained
-----	-----	-----	-----	-----
2005 Term Securitization	\$ 18.6	\$ 16.7	\$ 3.6	\$
2006-A GE Purchase Facility	39.0	35.1	6.1	--
	-----	-----	-----	---
Total	\$ 57.6	\$ 51.8	\$ 9.7	\$
	=====	=====	=====	==

The following assumptions were used to measure the initial fair value of the retained interest in notes receivable sold for each of the transactions during the six months ended June 30, 2006: prepayment rates ranging from 14.0% to 9.0% per annum as the portfolios mature; loss severity rates ranging from 35.0% to 71.3%; default rates ranging from 10.0% to 1.0% per annum as the portfolios mature; and a discount rate of 9.0%.

As a result of adopting SFAS No. 152, approximately \$2.6 million and \$9.2 million of the gain were recorded as an increase to VOI sales for the three and six months ended June 30, 2006, respectively. The remaining \$47,000 and \$552,000 of the gain has been recorded as a gain on the sales of notes receivable on the accompanying statements of income for the three and six months ended June 30, 2006, respectively.

### 3. Lines-of-Credit and Receivable-Backed Notes Payable

In February 2006, we increased our revolving acquisition, development and construction credit facility for Bluegreen Resorts ("The GMAC AD&C Facility") with GMAC Residential Funding Corporation ("GMAC RFC") from \$75.0 million to \$150.0 million. The borrowing period expires on February 15, 2008, and outstanding borrowings mature no later than August 15, 2013, although specific draws typically are due four years from the borrowing date. Indebtedness under the \$150.0 million facility bears interest at 30-day LIBOR plus 4.50% (9.80% at June 30, 2006).

In February 2006, GMAC RFC extended the borrowing period to February 15, 2008 and the maturity date to February 15, 2015 on Bluegreen's existing \$75.0 million revolving vacation ownership receivables credit facility ("The GMAC Receivables Facility"). This facility is used to borrow funds collateralized by our eligible vacation ownership receivables.

In March 2006, we borrowed \$18.2 million under an existing acquisition and development credit facility with GMAC RFC ("The GMAC Communities Facility") in connection with the acquisition by Bluegreen Communities of approximately 1,580



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acres of land in Grayson County, Texas, for a total purchase price of \$26.1 million. In addition to the funds borrowed in connection with the land purchase, we borrowed an additional \$9.0 million for general corporate purposes. In April 2006, we borrowed \$19.0 million under the same facility in connection with the acquisition by Bluegreen Communities of approximately 3,100 acres of land in Comal, Texas, for a total purchase price of \$27.3 million. In addition to the funds borrowed in connection with the land purchase, we borrowed an additional \$9.0 million for general corporate purposes.

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In May 2006, we borrowed \$4.6 million from Wachovia Bank, NA in connection with Bluegreen Resorts' acquisition of an existing building to be converted into a sales preview center in Sevierville, Tennessee, for a total purchase price of \$5.5 million. We also borrowed \$13.7 million under the GMAC AD&C Facility in connection with the acquisition by Bluegreen Resorts of land in Las Vegas, Nevada, for a total purchase price of \$16.1 million, for development of a new resort.

In June 2006, we executed agreements for a \$137.5 million vacation ownership receivables purchase facility (the "BB&T Purchase Facility") with Branch Banking and Trust Company ("BB&T"). While ownership of the receivables was transferred for legal purposes, the transfer of the receivables under the facility will be accounted for as a financing transaction for financial accounting purposes. Accordingly, the receivables will continue to be reflected as assets and the associated obligations will be reflected as liabilities on our balance sheet. The BB&T Purchase Facility utilizes an owner's trust structure, pursuant to which we transfer receivables to Bluegreen Timeshare Finance Corporation I, our wholly-owned, special purpose finance subsidiary ("BTFC I"), and BTFC I subsequently transfers the receivables to an owner's trust without recourse to us or BTFC I, except for breaches of certain customary representations and warranties at the time of transfer. We did not enter into any guarantees in connection with the BB&T Purchase Facility. The BB&T Purchase Facility has detailed requirements with respect to the eligibility of receivables, and fundings under the BB&T Purchase Facility are subject to certain conditions precedent. Under the BB&T Purchase Facility, a variable purchase price of approximately 85.0% of the principal balance of the receivables transferred, subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as BB&T and other liquidity providers arranged by BB&T have in the aggregate received a specified return (the "Specified Return") and all servicing, custodial, agent and similar fees and expenses have been paid. The Specified Return is equal to either the commercial paper rate or LIBOR rate plus 1.25%, subject to use of alternate return rates in certain circumstances. In addition, we will pay BB&T structuring and other fees totaling \$1.7 million over the term of the facility and we will act as servicer under the BB&T Purchase Facility for a fee. The BB&T Purchase Facility allows for transfers of notes receivable for a cumulative purchase price of up to \$137.5 million through May 2008, subject to eligibility requirements and satisfaction of conditions precedent.

In June 2006, we borrowed \$15.0 million under the GMAC Communities Facility for general corporate purposes. We also borrowed \$2.0 million and \$875,000 under the GMAC AD&C Facility in connection with the development of Fountains Resort and Carolina Grande Resort, respectively. We also financed \$12.9 million of the total \$15.2 million purchase price of the first phase of a resort property in Williamsburg, Virginia.

Total interest expense capitalized to construction in progress was \$2.4 million and \$4.7 million for the three and six months ended June 30, 2005, respectively, and \$3.5 million and \$5.8 million for the three and six months

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ended June 30, 2006, respectively.

### 4. Trust Preferred Securities Offerings

We have formed business statutory trusts (collectively, the "Trusts") for the purpose of issuing trust preferred securities and investing the proceeds thereof in our junior subordinated debentures. The Trusts are variable interest entities in which we are not the primary beneficiary as defined by FASB Interpretation No. 46R. Accordingly, we do not consolidate the operations of the Trusts; instead, the Trusts are accounted for under the equity method of accounting.

On April 24, 2006, one of the Trusts, Bluegreen Statutory Trust IV ("BST IV") issued \$15.0 million of trust preferred securities. BST IV used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the trust preferred securities will be payable quarterly in arrears at a fixed rate of 10.13% through June 30, 2011, and thereafter at a variable rate of interest, per annum, reset quarterly, equal to the 3-month LIBOR plus 4.85% until the scheduled maturity date of June 30, 2036. Distributions on the trust preferred securities will be cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities will be subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable five years from the issue date or sooner following certain specified events. In addition, we invested \$464,000 to BST IV in exchange for its common securities, all of which are owned by us. Those proceeds were also used to purchase an identical amount of junior subordinated debentures from us. The terms of BST IV's common securities are nearly identical to the trust preferred securities. The issuances of trust preferred securities were part of a larger pooled trust securities offering which was not registered under the Securities Act of 1933. Proceeds were used for general corporate purposes and debt repayment.

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We had the following junior subordinated debentures outstanding at June 30, 2006 (dollars in thousands):

Trust	Outstanding Amount of Junior Subordinated Debentures	Initial Equity To Trust	Issue Date	Fixed Interest Rate (1)	Variable Interest Rate (2)	Beginning Optional Redemption Date
Bluegreen Statutory Trust I	\$23,196	\$ 696	3/15/05	9.160%	3-month LIBOR + 4.90%	3/30/10
Bluegreen Statutory Trust II	25,774	774	5/04/05	9.158%	3-month LIBOR + 4.85%	7/30/10
Bluegreen Statutory Trust III	10,310	310	5/10/05	9.193%	3-month LIBOR + 4.85%	7/30/10
Bluegreen Statutory Trust IV	15,464	464	4/24/06	10.130%	3-month LIBOR + 4.85%	6/30/11

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\$74,744            \$ 2,244  
=====

- (1) Both the trust preferred securities and junior subordinated debentures bear interest at a fixed interest rate from the issue date through the beginning optional redemption date.
- (2) Both the trust preferred securities and junior subordinated debentures bear interest at a variable interest rate from the beginning optional redemption date through the maturity date.

## 5. Senior Secured Notes Payable

On April 1, 1998, we consummated a private placement offering of \$110.0 million in aggregate principal amount of 10.50% senior secured notes payable due April 1, 2008 (the "Notes"). On June 27, 2005, we redeemed \$55.0 million in aggregate principal amount of the Notes at a redemption price of 101.75% plus accrued and unpaid interest through June 26, 2005 of approximately \$1.4 million. At June 30, 2006, \$55.0 million of the Notes remained outstanding.

None of the assets of Bluegreen Corporation secures its obligations under the Notes, and the Notes are effectively subordinated to our secured indebtedness to any third party to the extent of assets serving as security therefor. The Notes are unconditionally guaranteed, jointly and severally, by each of our subsidiaries (the "Subsidiary Guarantors"), with the exception of Bluegreen/Big Cedar Vacations, LLC, Bluegreen Properties N.V., Resort Title Agency, Inc., any special purpose finance subsidiary, any subsidiary which is formed and continues to operate for the limited purpose of holding a real estate license and acting as a broker, and certain other subsidiaries which have individually less than \$50,000 of assets (collectively, "Non-Guarantor Subsidiaries"). Each of the note guarantees covers the full amount of the Notes and each of the Subsidiary Guarantors is 100% owned, directly or indirectly by us. Supplemental financial information for Bluegreen Corporation, its combined Non-Guarantor Subsidiaries and its combined Subsidiary Guarantors is presented below:

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## CONDENSED CONSOLIDATING BALANCE SHEETS (In thousands)

	December 31, 2005			
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	EL
ASSETS				
Cash and cash equivalents .....	\$ 55,708	\$ 15,443	\$ 13,553	\$
Contracts receivable, net .....	--	1,801	25,672	
Intercompany receivable .....	92,641	--	--	
Notes receivable, net .....	--	48,294	79,489	
Inventory, net .....	--	17,857	223,112	

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Retained interests in notes receivable sold .....	--	105,696	--	--
Property and equipment, net .....	14,569	1,330	63,735	--
Investments in subsidiaries .....	265,023	--	3,230	--
Other assets .....	4,028	4,666	19,290	--
	-----	-----	-----	-----
Total assets .....	\$ 431,969	\$ 195,087	\$ 428,081	\$ --
	=====	=====	=====	=====

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Liabilities:

Accounts payable, accrued liabilities and other .	\$ 20,214	\$ 15,077	\$ 48,935	\$ --
Intercompany payable .....	--	4,563	88,078	--
Deferred income taxes .....	(21,798)	41,824	55,378	--
Lines-of-credit and notes payable .....	5,607	27,064	64,488	--
10.50% senior secured notes payable .....	55,000	--	--	--
Junior subordinated debentures .....	59,280	--	--	--
	-----	-----	-----	-----
Total liabilities .....	118,303	88,528	256,879	--
Minority interest .....	--	--	--	--
Total shareholders' equity .....	313,666	106,559	171,202	--
	-----	-----	-----	-----
Total liabilities and shareholders' equity ...	\$ 431,969	\$ 195,087	\$ 428,081	\$ --
	=====	=====	=====	=====

June 30, 2006  
(Unaudited)

	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	EL
	-----	-----	-----	-----
ASSETS				
Cash and cash equivalents .....	\$ 32,332	\$ 16,934	\$ 21,371	\$ --
Contracts receivable, net .....	--	2,112	38,542	--
Intercompany receivable .....	148,685	2,085	--	--
Notes receivable, net .....	--	85,475	87,756	--
Inventory, net .....	--	16,537	315,289	--
Retained interests in notes receivable sold .....	--	100,395	--	--
Property and equipment, net .....	16,782	1,119	72,578	--
Investments in subsidiaries .....	266,063	--	3,230	--
Other assets .....	6,533	7,666	25,472	--
	-----	-----	-----	-----
Total assets .....	\$ 470,395	\$ 232,323	\$ 564,238	\$ --
	=====	=====	=====	=====

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Liabilities:

Accounts payable, accrued liabilities and other .	\$ 34,790	\$ 20,614	\$ 54,392	\$ --
Intercompany payable .....	--	--	150,770	--
Deferred income taxes .....	(18,633)	43,647	53,468	--
Lines-of-credit and notes payable .....	4,831	52,142	141,192	--
10.50% senior secured notes payable .....	55,000	--	--	--
Junior subordinated debentures .....	74,744	--	--	--
	-----	-----	-----	-----
Total liabilities .....	150,732	116,403	399,822	--
Minority interest .....	--	--	--	--
Total shareholders' equity .....	319,663	115,920	164,416	--

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Total liabilities and shareholders' equity ...	\$ 470,395	\$ 232,323	\$ 564,238	\$
	=====	=====	=====	==

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CONDENSED CONSOLIDATING STATEMENTS OF INCOME  
(In thousands)  
(Unaudited)

	Three Months Ended June 30			
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	EL
REVENUES				
Sales of real estate .....	\$ --	\$ 13,491	\$ 145,837	\$
Other resort and communities operations revenue ..	--	3,270	15,378	
Management fees .....	16,772	--	--	
Equity income from subsidiaries .....	13,008	--	--	
Interest income .....	529	4,259	3,494	
Gain on sales of notes receivable .....	--	4,878	--	
	30,309	25,898	164,709	
COSTS AND EXPENSES				
Cost of real estate sales .....	--	3,847	47,262	
Cost of other resort and communities operations ..	--	1,311	18,052	
Management fees .....	--	301	16,471	
Selling, general and administrative expenses ....	10,941	6,843	63,333	
Interest expense .....	1,487	1,135	1,431	
Provision for loan losses .....	--	5,210	2,266	
Other expense, net .....	1,798	892	136	
	14,226	19,539	148,951	
Income before minority interest and provision for income taxes .....	16,083	6,359	15,758	
Minority interest in income of consolidated subsidiary .....	--	--	--	
Income before provision for income taxes .....	16,083	6,359	15,758	
Provision for income taxes .....	1,173	2,088	6,073	
Net income .....	\$ 14,910	\$ 4,271	\$ 9,685	\$

Three Months Ended June 30

Combined Combined

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	Bluegreen Corporation	Non-Guarantor Subsidiaries	Subsidiary Guarantors	El
	-----	-----	-----	---
REVENUES				
Sales of real estate .....	\$ --	\$ 13,908	\$ 128,039	\$
Other resort and communities operations revenue .	--	3,906	9,714	
Management fees .....	14,256	--	--	
Equity income from subsidiaries .....	3,646	--	--	
Interest income .....	436	5,108	3,955	
Gain on sales of notes receivable .....	--	47	--	
Other income (expense), net .....	873	(94)	(411)	
	-----	-----	-----	---
	19,211	22,875	141,297	
	-----	-----	-----	---
COSTS AND EXPENSES				
Cost of real estate sales .....	--	3,647	45,375	
Cost of other resort and communities operations .	--	1,145	11,792	
Management fees .....	--	212	14,044	
Selling, general and administrative expenses ....	10,765	7,572	69,283	
Interest expense .....	28	779	2,719	
	-----	-----	-----	---
	10,793	13,355	143,213	
	-----	-----	-----	---
Income (loss) before minority interest and provision (benefit) for income taxes .....	8,418	9,520	(1,916)	
Minority interest in income of consolidated subsidiary .....	--	--	--	
	-----	-----	-----	---
Income (loss) before provision (benefit) for income taxes .....	8,418	9,520	(1,916)	
Provision (benefit) for income taxes .....	1,838	3,022	(741)	
	-----	-----	-----	---
Net income (loss) .....	\$ 6,580	\$ 6,498	\$ (1,175)	\$
	=====	=====	=====	==

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	Six Months Ended June 30,			
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	El
	-----	-----	-----	---
REVENUES				
Sales of real estate .....	\$ --	\$ 23,047	\$ 240,302	\$
Other resort and communities operations revenue .	--	6,470	30,222	
Management fees .....	28,310	--	--	
Equity income from subsidiaries .....	19,091	--	--	
Interest income .....	735	8,491	6,922	
Gain on sales of notes receivable .....	--	9,598	--	
	-----	-----	-----	---
	48,136	47,606	277,446	
	-----	-----	-----	---
COSTS AND EXPENSES				

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Cost of real estate sales .....	--	6,427	77,569	
Cost of other resort and communities operations .	--	2,418	36,581	
Management fees .....	--	565	27,745	
Selling, general and administrative expenses ....	21,043	11,674	110,222	
Interest expense .....	2,661	2,045	2,928	
Provision for loan losses .....	--	9,898	2,266	
Other expense (income), net .....	1,752	1,687	245	
	-----	-----	-----	
	25,456	34,714	257,556	
	-----	-----	-----	
Income before minority interest and provision for income taxes .....	22,680	12,892	19,890	
Minority interest in income of consolidated subsidiary .....	--	--	--	
	-----	-----	-----	
Income before provision for income taxes .....	22,680	12,892	19,890	
Provision for income taxes .....	1,370	4,305	7,665	
	-----	-----	-----	
Net income .....	\$ 21,310	\$ 8,587	\$ 12,225	\$
	=====	=====	=====	

Six months ended June 30,

	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	EL
	-----	-----	-----	
REVENUES				
Sales of real estate .....	\$ --	\$ 25,144	\$ 238,563	\$
Other resort and communities operations revenue .	--	7,070	23,217	
Management fees .....	27,351	--	--	
Equity income from subsidiaries .....	1,063	--	--	
Interest income .....	976	9,499	7,197	
Gain on sales of notes receivable .....	--	552	--	
	-----	-----	-----	
	29,390	42,265	268,977	
COSTS AND EXPENSES				
Cost of real estate sales .....	--	7,337	86,907	
Cost of other resort and communities operations .	--	2,478	27,239	
Management fees .....	--	453	26,898	
Selling, general and administrative expenses ....	20,095	13,376	127,734	
Interest expense .....	1,016	1,549	4,267	
Other expense (income), net .....	(1,003)	383	887	
	-----	-----	-----	
	20,108	25,576	273,932	
	-----	-----	-----	
Income before minority interest and provision for income taxes .....	9,282	16,689	(4,955)	
Minority interest in income of consolidated subsidiary .....	--	--	--	
	-----	-----	-----	
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle .....	9,282	16,689	(4,955)	
Provision (benefit) for income taxes .....	3,165	5,388	(1,910)	
	-----	-----	-----	
Income (loss) before cumulative effect of change				

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in accounting principle .....	6,117	11,301	(3,045)	
Cumulative effect of change in accounting principle, net of tax .....	--	(1,942)	(3,736)	
Minority interest in income of cumulative effect of change in accounting principle .....	--	--	--	
Net income (loss) .....	\$ 6,117	\$ 9,359	\$ (6,781)	\$
	=====	=====	=====	=====

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## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (In thousands) (Unaudited)

	Six Months Ended	
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries
Operating activities:		
Net cash (used) provided by operating activities .....	\$ (16,930)	\$ 1,462
Investing activities:		
Purchases of property and equipment .....	(442)	(53)
Installment payments on business acquisition .....	--	--
Investment in statutory business trust .....	(1,780)	--
Cash received from retained interests in notes receivable sold .....	--	4,936
Net cash (used) provided by investing activities .....	(2,222)	4,883
Financing activities:		
Borrowings under line-of-credit facilities and notes payable ..	--	--
Payments under line-of-credit facilities and notes payable ....	(466)	(851)
Redemption of 10.50% senior secured notes payable .....	(55,000)	--
Proceeds from issuance of junior subordinated debentures .....	59,280	--
Payment of debt issuance costs .....	(1,814)	(37)
Proceeds from exercise of stock options .....	746	--
Net cash provided (used) by financing activities .....	2,746	(888)
Net(decrease)increase in cash and cash equivalents .....	(16,406)	5,457
Cash and cash equivalents at beginning of period .....	70,256	18,793
Cash and cash equivalents at end of period .....	53,850	24,250
Restricted cash and cash equivalents at end of period .....	(173)	(6,709)
Unrestricted cash and cash equivalents at end of period .....	\$ 53,677	\$ 17,541
	=====	=====

Six Months Ended



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	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries
	-----	-----
Operating activities:		
Net cash (used) provided by operating activities .....	\$ (32,689)	\$ (11,855)
	-----	-----
Investing activities:		
Purchases of property and equipment .....	(4,557)	(30)
Investment in statutory business trust .....	(464)	--
Cash received from retained interests in notes receivable sold	--	14,969
	-----	-----
Net cash (used) provided by investing activities .....	(5,021)	14,939
	-----	-----
Financing activities:		
Borrowings under line-of-credit facilities and notes payable ..	--	--
Payments under line-of-credit facilities and notes payable ....	(805)	(39)
Proceeds from issuance of junior subordinated debentures .....	15,464	--
Payment of debt issuance costs .....	(498)	(1,554)
Proceeds from exercise of stock options .....	173	--
	-----	-----
Net cash provided (used) by financing activities .....	14,334	(1,593)
	-----	-----
Net(decrease)increase in cash and cash equivalents .....	(23,376)	1,491
Cash and cash equivalents at beginning of period .....	55,708	15,443
	-----	-----
Cash and cash equivalents at end of period .....	32,332	16,934
Restricted cash and cash equivalents at end of period .....	(173)	(10,951)
	-----	-----
Unrestricted cash and cash equivalents at end of period .....	\$ 32,159	\$ 5,983
	=====	=====

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## 6. Business Segments

We have two reportable business segments. Bluegreen Resorts develops markets and sells VOIs in our resorts, through the Bluegreen Vacation Club, and provides resort management services to resort property owners associations. Bluegreen Communities acquires large tracts of real estate, which are subdivided, improved (in some cases to include a golf course on the property) and sold, typically on a retail basis as homesites. Disclosures for our business segments are as follows (in thousands):

	Bluegreen Resorts	Bluegreen Communities	Totals
	-----	-----	-----
For the three months ended June 30, 2005			
Sales of real estate .....	\$ 97,019	\$ 62,309	\$159,328
Other resort and communities operations revenue	15,656	2,992	18,648
Depreciation expense .....	1,731	425	2,156
Field operating profit .....	17,288	17,955	35,243
For the three months ended June 30, 2006			
Sales of real estate .....	\$ 91,386	\$ 50,561	\$141,947

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Other resort and communities operations revenue	9,624	3,996	13,620
Depreciation expense .....	2,022	391	2,413
Field operating profit .....	2,976	14,577	17,553

For the six months ended June 30, 2005

Sales of real estate .....	\$ 162,663	\$ 100,686	\$263,349
Other resort and communities operations revenue	32,218	4,474	36,692
Depreciation expense .....	3,407	843	4,250
Field operating profit .....	27,674	25,688	53,362

For the six months ended June 30, 2006

Sales of real estate .....	\$ 165,521	\$ 98,186	\$263,707
Other resort and communities operations revenue	23,955	6,332	30,287
Depreciation expense .....	3,896	826	4,722
Field operating profit .....	6,112	24,356	30,468

Net inventory by business segment:

	December 31, 2005 -----	June 30, 2006 -----
Bluegreen Resorts ... ..	\$173,338	\$215,690
Bluegreen Communities .....	67,631	116,136
	-----	-----
Total	\$240,969 =====	\$331,826 =====

### Reconciliations to Consolidated Amounts

Field operating profit for our reportable segments reconciled to our consolidated income before minority interest and provision for income taxes is as follows (in thousands):

	Three Months Ended June 30, -----		Six Months June 30, -----
	2005 -----	2006 -----	2005 -----
Field operating profit for reportable segments .	\$ 35,243	\$ 17,553	\$ 53,362
Interest income .....	8,282	9,499	16,148
Gain on sales of notes receivable .....	4,878	47	9,598
Other (expense) income, net .....	(2,826)	368	(3,684)
Corporate general and administrative expenses ..	(8,856)	(11,565)	(19,255)
Interest expense .....	(4,053)	(3,526)	(7,634)
Provision for loan losses .....	(7,476)	--	(12,164)
	-----	-----	-----
Consolidated income before minority interest and provision for income taxes .....	\$ 25,192 =====	\$ 12,376 =====	\$ 36,371 =====

### 7. Contingencies

In March 2006, the Tennessee Audit Division (the "Division") advised us

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that rather than follow through with its previously stated intention to impose a sales tax on the sale of VOIs in Tennessee, it intends to seek to impose a sales tax on the use of accommodations in our Tennessee properties by owners who became members through the purchase of non-Tennessee timeshare interests. The Division is auditing the period from December 1, 2001 through December 31, 2004. The Division has not formally assessed any accommodations or sales tax as of yet, nor has it estimated any assessment. While in the past the timeshare industry has been successful in avoiding the imposition by various states of sales tax on the reservation and use of accommodations by timeshare owners, there is no assurance that such taxes will not be assessed. We intend to vigorously oppose any assessment of accommodations or sales taxes by the Division.

Bluegreen Southwest One, L.P. ("Southwest"), one of our subsidiaries, is the developer of the Mountain Lakes subdivision in Texas. One of the lakes that is an amenity in the development has not filled to the expected level. This condition has resulted in consumer complaints from property owners. We are reviewing the possible causes for the failure of the lake to fill. We are unable to predict the cause, the potential cost to correct the condition or the consequences in the event that the condition cannot be corrected.

Also related to the Mountain Lakes subdivision is litigation related to the development of mineral rights within the subdivision. In April 2006, in *Lesley, et al v. Bluegreen Southwest One, L.P. acting through its General Partner Bluegreen Southwest Land, Inc., et al*, Cause No. 28006 District Court of the 266th Judicial District, Erath County, Texas, plaintiffs filed a First Amended Original Petition (April 2006). Pursuant to this First Amended Original Petition Plaintiffs seek to develop mineral interests in the Mountain Lakes subdivision and to recover damages from Southwest, alleging breach of contract, breach of fiduciary duty, tortious interference with existing and prospective relationships and intentional invasion or interference with property rights by Southwest, for allegedly interfering with the development of mineral rights held by plaintiffs. Plaintiffs' claims against Southwest total in the aggregate \$25 million. The property owners association has officially filed a cross complaint against the Company, Southwest and individual directors of the property owners association asserting various tort claims. While no assurances can be given with respect to the outcome of litigation, based on information currently available, the Company believes that the claims lack merit and intends to vigorously defend itself in this matter.

### 8. Subsequent Events

On July 21, 2006, a newly-formed wholly-owned statutory business trust, Bluegreen Statutory Trust V ("BST V"), issued \$15.0 million of trust preferred securities. BST V used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the Trust Preferred Securities will be payable quarterly in arrears at a fixed rate of 10.28% through September, 2011 and thereafter at a floating rate of 4.85% over the 3-month LIBOR until the scheduled maturity date of September 30, 2036. Distributions on the trust preferred securities will be cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities will be subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable five years from the issue date or sooner following certain specified events. In addition, we contributed \$464,000 to BST V in exchange for its common securities, all of which are owned by us, and those proceeds were also used to purchase an identical amount of junior subordinated debentures from us. The terms of BST V's common securities are nearly identical to the trust preferred securities.

On July 26, 2006, we executed agreements to renew our \$15.0 million

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unsecured line-of-credit with Wachovia Bank, N.A. Amounts borrowed under the line bear interest at 30-day LIBOR plus 2.0%. Interest is due monthly and all outstanding amounts are due on June 30, 2007. We are only allowed to borrow under the line-of-credit in amounts less than the remaining availability under our current, active vacation ownership receivables purchase facilities plus availability under certain receivables warehouse facilities, less any outstanding letters of credit. The line-of-credit agreement contains certain covenants and conditions typical of arrangements of this type. As of July 28, 2006 the Company had approximately \$523,000 of outstanding letters of credit. The line of credit agreement contains certain covenants and conditions typical of arrangements of this type.

On July 27, 2006, The Board of Directors declared a dividend distribution of one Preferred Share Purchase Right (the "Rights") on each outstanding share of the Company's common stock. See the Company's Current Report on Form 8-K and registration statement on Form 8-A, both of which were filed on August 2, 2006, for further discussion of the Rights.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Cautionary Statement Regarding Forward-Looking Statements and Risk Factors

We desire to take advantage of the "safe harbor" provisions of the Private Securities Reform Act of 1995 (the "Act") and are making the following statements pursuant to the Act to do so. Certain statements in this Quarterly Report and our other filings with the SEC constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You may identify these statements by forward-looking words such as "may," "intend," "expect," "anticipate," "believe" "will," "should," "project," "estimate," "plan" or other comparable terminology or by other statements that do not relate to historical facts. All statements, trend analyses and other information relative to the market for our products, remaining life of project sales, our expected future sales, financial position, operating results, liquidity and capital resources, our business strategy, financial plan and expected capital requirements as well as trends in our operations or results are forward-looking statements. These forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control, including changes in economic conditions, generally, in areas where we operate, or in the travel and tourism industry, increases in interest rates, changes in regulations and other factors discussed throughout our SEC filings all of which could cause our actual results, performance or achievements, or industry trends, to differ materially from any future results, performance, or achievements or trends expressed or implied herein. Given these uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements and no assurance can be given that the plans, estimates and expectations reflected herein will be achieved. Factors that could adversely affect our future results can also be considered general risk factors with respect to our business, whether or not they relate to a forward-looking statement. We wish to caution you that the important factors set forth below and elsewhere in this report in some cases have affected, and in the future could affect our actual results and could cause our actual consolidated results to differ materially from those expressed in any forward-looking statements.

- o Our continued liquidity depends on our ability to sell or borrow against our notes receivable.

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- o We depend on additional funding to finance our operations.
- o Our success depends on our ability to market our products efficiently.
- o Increased fuel prices could affect our ability to market VOIs and residential homesites.
- o We would incur substantial losses if the customers we finance default on their obligations to pay the balance of the purchase price.
- o Our results of operations and financial condition could be adversely impacted if our estimates concerning our notes receivable are incorrect.
- o Changes in United States generally accepted accounting principles, especially those related to the sales of notes receivable and accounting for real estate time-sharing transactions, could have a material adverse impact on our results of operations.
- o We are subject to the risks of the real estate market and the risks associated with real estate development, including the risk and uncertainties relating to the cost and availability of land, labor and construction materials.
- o We may not successfully execute our growth strategy.
- o We may face a variety of risks when we expand our operations.
- o Claims for development-related defects could adversely affect our financial condition and operating results.
- o We may face additional risks as we expand into new markets.
- o The limited resale market for VOIs could adversely affect our business.
- o We may be adversely affected by extensive federal, state and local laws and regulations and changes in applicable laws and regulations, including with respect to the imposition of additional taxes on operations.
- o Environmental liabilities, including claims with respect to mold or hazardous or toxic substances, could have a material adverse impact on our business.

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- o We could incur costs to comply with laws governing accessibility of facilities by disabled persons.

In addition to the foregoing, reference is also made to other risks and factors detailed in reports filed by the Company with the Securities and Exchange Commission including our Annual Report on Form 10-K for the year ended December 31, 2005.

### Executive Overview

We operate through two business segments. Bluegreen Resorts develops, markets and sells VOIs in our Bluegreen Vacation Club resorts, and provides resort management services to resort property owners associations. Bluegreen

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Communities acquires large tracts of real estate, which are subdivided, improved (in some cases to include a golf course on the property) and sold, typically on a retail basis, as homesites.

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions, which changes the rules for many aspects of timeshare accounting, including revenue recognition, inventory costing and incidental operations (See Note 1 of the Notes to Condensed Consolidated Financial Statements for more information on SFAS No. 152 and its impact on our financial statements). The adoption of SFAS No. 152, reduced income before cumulative effect of change in accounting principle by \$6.1 million or \$0.20 per diluted share, and \$7.8 million or \$0.25 per diluted share for the three and six months ended June 30, 2006, respectively. In addition, the Company recognized a \$4.5 million or \$0.14 per diluted share charge for the cumulative effect of a change in accounting principle in the six months ended June 30, 2006, for the adoption of SFAS No. 152. Therefore, on a pro forma basis excluding the impact of SFAS 152, net income would have been \$12.7 million or \$0.41 per diluted share for the three months ended June 30, 2006. On the same pro forma basis, net income would have been \$18.4 million or \$0.59 per diluted share for the six months ended June 30, 2006. See "Results of Operations" below for a discussion of the impact of the adoption of SFAS 152 on the Resort Division.

We have historically experienced and expect to continue to experience seasonal fluctuations in our gross revenues and net earnings. This seasonality may cause significant fluctuations in our quarterly operating results, with the majority of our gross revenues and net earnings historically occurring in the quarters ending in June and September each year. However, as a result of the required adoption of SFAS No. 152, we anticipate that prospectively the majority of our gross revenues and net earnings will be recognized in the quarters ending in September and December of each year, primarily due to the deferral and subsequent recognition of VOI sales revenue. Also, as SFAS No. 152 does not allow the restatement of prior year results of operations, the Company's 2006 quarterly Statements of Income are not easily comparable to the respective 2005 quarterly Statements of Income. Other material fluctuations in operating results may occur due to the timing of development and the requirement that we use the percentage-of-completion method of accounting. Under this method of income recognition, income is recognized as work progresses. Measures of progress are based on the relationship of costs incurred to date to expected total costs. We expect that we will continue to invest in projects that will require substantial development (with significant capital requirements), and as a consequence, our results of operations may fluctuate significantly between quarterly and annual periods as a result of the required use of the percentage-of-completion method of accounting.

We believe that inflation and changing prices have materially impacted our revenues and results of operations, specifically due to periodic increases in the sales prices of our VOIs and homesites and continued increases in construction and development costs. We expect construction and development costs to continue to increase for the foreseeable future. There is no assurance that we will be able to continue to increase our sales prices or that increased construction costs will not have a material adverse impact on our gross margin. Also, to the extent inflationary trends affect interest rates, a portion of our debt service costs may increase.

We recognize revenue on homesite and VOI sales when a minimum of 10% of the sales price has been received in cash, the refund or rescission period has expired, collectibility of the receivable representing the remainder of the sales price is reasonably assured and we have completed substantially all of our obligations with respect to any development of the real estate sold. The provisions of SFAS No. 152 require that incentives and other similarly treated items such as customer down payment equity earned through our Sampler program be

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considered in calculating the required down payment for our VOI sales. If, after considering the value of sales incentives provided, the required 10% of sales price down payment threshold is not met, the VOI sale and the related cost of sale and direct selling costs are deferred and not recognized until the buyer's commitment test is satisfied, generally through the receipt of required mortgage note payments from the buyer. Further, in cases where all development has not been completed, recognition of income is subject to the percentage-of-completion method of accounting.

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Costs associated with the acquisition and development of vacation ownership resorts and residential communities, including carrying costs such as interest and taxes, are capitalized as inventory and are allocated to cost of real estate sold as the respective revenues are recognized.

A portion of our revenues historically has been and is expected to continue to be comprised of gains on sales of notes receivable. The gains are recorded on our consolidated statement of income and the related retained interests in the notes receivable sold are recorded on our consolidated balance sheet at the time of sale. Effective January 1, 2006, the portion of these gains related to the reversal of previously recorded allowances for loan losses on the receivables sold is recorded as a component of revenue on sales of VOIs. The amount of gains recognized and the fair value of the retained interests recorded are based in part on management's best estimates of future prepayment, default rates, loss severity rates, discount rates and other considerations in light of then-current conditions. If actual prepayments with respect to loans occur more quickly than we projected at the time such loans were sold, as can occur when interest rates decline, interest would be less than expected and may cause a decline in the fair value of the retained interests and a charge to operations. If actual defaults or other factors discussed above with respect to loans sold are greater than estimated, charge-offs would exceed previously estimated amounts and the cash flow from the retained interests in notes receivable sold would decrease. Also, to the extent the portfolio of receivables sold fails to satisfy specified performance criteria (as may occur due to, for example, an increase in default rates or loan loss severity) or certain other events occur, the funds received from obligors must be distributed on an accelerated basis to investors. If the accelerated payment formula were to become applicable, the cash flow to us from the retained interests in notes receivable sold would be reduced until the outside investors were paid or the regular payment formula was resumed. If these situations were to occur on a material basis, it could cause a decline in the fair value of the retained interests and a charge to earnings currently. There is no assurance that the carrying value of our retained interests in notes receivable sold will be fully realized or that future loan sales will be consummated or, if consummated, result in gains. See "Vacation Ownership Receivables Purchase Facilities - Off Balance Sheet Arrangements," below.

In addition, we have historically sold vacation ownership receivables to financial institutions through warehouse purchase facilities to monetize the receivables while accumulating receivables for a future term securitization transaction. We have structured our current warehouse purchase facility with Branch Banking & Trust Company ("BB&T") so that sales of vacation ownership receivables through this facility will be accounted for as on-balance sheet borrowings rather than as off-balance sheet sales. Therefore, we will not recognize a gain on the sales of receivables sold to BB&T until such receivables are subsequently included in a properly structured term securitization transaction. We expect this may impact future quarterly earnings patterns as compared to comparable prior periods.

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We continue to spend a substantial amount of management time and resources to comply with changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities and Exchange Commission regulations and New York Stock Exchange rules. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management's annual review and evaluation of our internal control systems, and attestations as to the effectiveness of these systems by our independent registered accounting firm. We expect to continue to expend significant management time and resources documenting and testing our internal control systems and procedures. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be in a position to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to maintain an effective internal control environment could have a material adverse effect on the market price of our stock.

### Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations and financial condition are based upon our condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of commitments and contingencies. On an ongoing basis, management evaluates its estimates, including those that relate to the recognition of revenue, including revenue recognition under the percentage-of-completion method of accounting; our estimated development cost and future sales on recovered VOIs for the purpose of recognizing cost of sales related to VOI sales; our estimate of fair value related to stock-based compensation; our reserve for loan losses; the valuation of retained interests in notes receivable sold and the related gains on sales of notes receivable; the recovery of the carrying value of real estate inventories, golf courses; intangible assets and other assets; and the estimate of contingent liabilities related to litigation and other claims and assessments. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions and conditions. If actual results significantly differ from management's estimates, our results of operations and financial condition could be materially, adversely impacted. For a more detailed

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discussion of these critical accounting policies see "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2005.

### Results of Operations

We review financial information, allocate resources and manage our business as two segments, Bluegreen Resorts and Bluegreen Communities. The information reviewed is based on internal reports and excludes general and administrative expenses attributable to corporate overhead. The information provided is based on a management approach and is used by us for the purpose of tracking trends and changes in results. It does not reflect the actual economic costs, contributions or results of operations of the segments as stand alone businesses. If a different basis of presentation or allocation were utilized,



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the relative contributions of the segments might differ but the relative trends, in our view, would likely not be materially impacted. The table below sets forth net revenue and income from operations by segment.

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	Bluegreen Resorts		Bluegreen Communities		
	Amount	Percentage of Sales	Amount	Percentage of Sales	Amount
			(dollars in thousands)		
Three months ended June 30, 2005					
Sales of real estate.....	\$ 97,019	100%	\$ 62,309	100%	\$ 159,328
Cost of real estate sales.....	(19,895)	(21)	(31,214)	(50)	(51,109)
Gross profit.....	77,124	79	31,095	50	108,219
Other resort and communities operations revenue.....	15,656	16	2,992	5	18,648
Cost of other resort and communities operations.....	(16,995)	(18)	(2,368)	(4)	(19,363)
Selling and marketing expenses.....	(53,114)	(55)	(10,447)	(17)	(63,561)
Field general and administrative expenses (1).....	(5,383)	(6)	(3,317)	(5)	(8,700)
Field operating profit.....	\$ 17,288	18%	\$ 17,955	29%	\$ 35,243
Three months ended June 30, 2006					
Sales of real estate.....	\$ 91,386	100%	\$ 50,561	100%	\$ 141,947
Cost of real estate sales.....	(21,928)	(24)	(27,094)	(54)	(49,022)
Gross profit.....	69,458	76	23,467	46	92,925
Other resort and communities operations revenue.....	9,624	11	3,996	8	13,620
Cost of other resort and communities operations.....	(9,887)	(11)	(3,050)	(6)	(12,937)
Selling and marketing expenses.....	(59,423)	(65)	(7,832)	(15)	(67,255)
Field general and administrative expenses (1).....	(6,796)	(7)	(2,004)	(4)	(8,800)
Field operating profit.....	\$ 2,976	3%	\$ 14,577	29%	\$ 17,553
Six months ended June 30, 2005					
Sales of real estate.....	\$ 162,663	100%	\$ 100,686	100%	\$ 263,349
Cost of real estate sales.....	(33,090)	(20)	(50,906)	(51)	(83,996)
Gross profit.....	129,573	80	49,780	49	179,353
Other resort and communities operations revenue.....	32,218	20	4,474	4	36,692
Cost of other resort and communities operations.....	(35,094)	(22)	(3,905)	(4)	(38,999)
Selling and marketing expenses.....	(89,823)	(55)	(18,484)	(18)	(108,307)
Field general and administrative expenses (1).....	(9,200)	(6)	(6,177)	(6)	(15,377)
Field operating profit.....	\$ 27,674	17%	\$ 25,688	26%	\$ 53,362

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	=====		=====		=====
Six months ended June 30, 2006					
Sales of real estate.....	\$ 165,521	100%	\$ 98,186	100%	\$ 263,
Cost of real estate sales.....	(38,975)	(24)	(55,269)	(56)	(94,
	-----		-----		-----
Gross profit.....	126,546	76	42,917	44	169,
Other resort and communities					
operations revenue.....	23,955	14	6,332	6	30,
Cost of other resort and					
communities operations.....	(24,536)	(15)	(5,181)	(5)	(29,
Selling and marketing expenses.....	(106,856)	(65)	(14,812)	(15)	(121,
Field general and					
administrative expenses (1).....	(12,997)	(8)	(4,900)	(5)	(17,
	-----		-----		-----
Field operating profit.....	\$ 6,112	4%	\$ 24,356	25%	\$ 30,
	=====		=====		=====

- (1) General and administrative expenses attributable to corporate overhead have been excluded from the tables. Corporate general and administrative expenses totaled \$8.9 million for the three months ended June 30, 2005 and \$11.6 million for the three months ended June 30, 2006. Corporate general and administrative expenses totaled

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\$19.3 million for the six months ended June 30, 2005 and \$21.6 million for the six months ended June 30, 2006. (See "Corporate General and Administrative Expenses," below, for further discussion).

Sales and Field Operations. Consolidated sales decreased \$17.3 million from \$159.3 million during the three months ended June 30, 2005 to \$142.0 million during the three months ended June 30, 2006. Consolidated sales increased \$0.4 million from \$263.3 million during the six months ended June 30, 2005 to \$263.7 million during the six months ended June 30, 2006. Excluding the impact of adopting SFAS No. 152, consolidated sales during the three and six months ended June 30, 2006 would have totaled \$163.9 and \$289.7 million, respectively.

Bluegreen Resorts. We will use the pro forma presentations below to discuss Bluegreen Resorts results of operations for the 2006 periods, as the pro forma results are more comparable to 2005 than our GAAP results of operations under SFAS No. 152.

	Three months ended June 30, 2006				Three Ju
			Pro Forma Excluding Impact of SFAS No. 152		
	Amount	Percentage of Sales	Amount	Percentage of Sales	Amount
	-----	-----	-----	-----	-----
Sales of real estate.....	\$ 91,386	100%	\$ 113,359	100%	\$ 97,
Cost of real estate sales.....	(21,928)	(24)	(23,904)	(21)	(19,
	-----		-----		-----
Gross profit.....	69,458	76	89,455	79	77,
Other resort and communities					

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operations revenue.....	9,624	11	11,813	10	15,
Cost of other resort and communities operations.....	(9,887)	(11)	(12,870)	(11)	(16,
Selling and marketing expenses.....	(59,423)	(65)	(61,570)	(54)	(53,
Field general and administrative expenses.....	(6,796)	(7)	(6,796)	(6)	(5,
Field operating profit.....	\$ 2,976	3%	\$ 20,032	18%	\$ 17,

Six months ended June 30, 2006					Six Ju
Pro Forma Excluding Impact of SFAS No. 152					
	Amount	Percentage of Sales	Amount	Percentage of Sales	Amount
Sales of real estate.....	\$ 165,521	100%	\$ 191,498	100%	\$ 162,
Cost of real estate sales.....	(38,975)	(24)	(41,299)	(22)	(33,
Gross profit.....	126,546	76	150,199	78	129,
Other resort and communities operations revenue.....	23,955	14	27,764	14	32,
Cost of other resort and communities operations.....	(24,536)	(15)	(30,188)	(16)	(35,
Selling and marketing expenses.....	(106,856)	(65)	(108,978)	(57)	(89,
Field general and administrative expenses.....	(12,997)	(8)	(12,997)	(7)	(9,
Field operating profit.....	\$ 6,112	4%	\$ 25,800	13%	\$ 27,

During the three months ended June 30, 2005 and June 30, 2006, sales of VOIs contributed \$97.0 million (61%) and \$91.4 million (64%) of our total consolidated sales, respectively. During the six months ended June 30, 2005 and June 30, 2006, sales of VOIs contributed \$162.7 million (62%) and \$165.5 million (63%) of our total consolidated sales, respectively. Excluding the impact of SFAS No. 152, sales of VOIs during the three and six months ended June 30, 2006 would have contributed \$113.4 million (69%) and \$191.5 million (66%) of our total consolidated sales, respectively.

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The following table sets forth certain information for sales of VOIs for the periods indicated, before giving effect to the percentage-of-completion method of accounting and sales deferred under SFAS No. 152.

Three Months Ended June 30,	Six Months Ended June 30,
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	2005	2006	2005	2006
Number of VOI sales transactions	10,169	11,438	16,858	19,119
Average sales price per transaction	\$ 9,898	\$10,344	\$ 9,992	\$10,472
Gross margin	79%	79%	80%	78%

Bluegreen Resorts' sales decreased \$5.6 million or 6% during the three months ended June 30, 2006, as compared to the three months ended June 30, 2005. Excluding the impact of SFAS No. 152, sales would have increased \$16.3 million or 17% during the three months ended June 30, 2006 compared to the same period in 2005. The pro forma increase was due primarily to same-resort sales increases at many of our sales offices. Same-resort sales increased by approximately 12% during the three months ended June 30, 2006, as compared to the three months ended June 30, 2005. This increase was also due to our continued focus on marketing to our growing Bluegreen Vacation Club owner base. Sales to owners increased by 46% and accounted for approximately 32% of Resort sales during the three months ended June 30, 2006, compared to 25% during the three months ended June 30, 2005. This, combined with a 6% overall increase in the number of sales prospects seen by Bluegreen Resorts from approximately 81,000 prospects during the three months ended June 30, 2005 to approximately 86,000 prospects during the three months ended June 30, 2006 and a relatively consistent, overall sale-to-tour conversion ratio of 13% during these periods, significantly contributed to the overall sales increase during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. Our sale-to-tour conversion ratio for new prospects (i.e., excluding sales to our existing owners) was approximately 11% and 10% for the three months ended June 30, 2005 and 2006, respectively. The increase in the number of prospects seen by Bluegreen Resorts and the associated increase in sales was partially due to our four new sales sites opened subsequent to June 30, 2005: an offsite sales office in Atlanta, Georgia (opened in November 2005), an offsite sales office in Chicago, Illinois (opened in February 2006), and sales offices located at two of our new resorts: the Carolina Grande in Myrtle Beach, South Carolina (opened in March 2006), and Daytona Seabreeze in Daytona Beach Shores, Florida (opened in December 2005). The increase in the average sales price per transaction, primarily due to a system-wide price increase effective January 1, 2006, reflected in the above table also contributed to the increase in sales.

Bluegreen Resorts' sales increased \$2.9 million or 2% during the six months ended June 30, 2006, as compared to the six months ended June 30, 2005. Excluding the impact of SFAS No. 152, sales would have increased \$28.8 million or 18% during the six months ended June 30, 2006 compared to the same period in 2005. The pro forma increase was due primarily to same-resort sales increases at many of our sales offices. Same-resort sales increased by approximately 13% during the six months ended June 30, 2006, as compared to the six months ended June 30, 2005. This increase was also due to our continued focus on marketing to our growing Bluegreen Vacation Club owner base. Sales to owners increased by 51% and accounted for 33% of Resort sales during the six months ended June 30, 2006, compared to 25% during the six months ended June 30, 2005. This, combined with a 10% overall increase in the number of sales prospects seen by Bluegreen Resorts from approximately 134,000 prospects during the six months ended June 30, 2005 to approximately 148,000 prospects during the six months ended June 30, 2006, and a relatively consistent, overall sale-to-tour conversion ratio of 13% during these periods, significantly contributed to the overall sales increase during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. Our sale-to-tour conversion ratio for new prospects (i.e., excluding sales to our existing owners) was approximately 11% and 10% for the six months ended June 30, 2005 and 2006, respectively. The increase in the number of prospects seen by Bluegreen Resorts and consequently the increase in sales was partially due to our four new sales sites, as described above. The increase in the average

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sales price per transaction reflected in the above table also contributed to the increase in sales.

Bluegreen Resorts' gross margin percentages vary between periods based on the relative costs of the specific VOIs sold in each respective period. Bluegreen Resorts' gross margin more typically ranges between 75% and 77%. During the three and six months ended June 30, 2006, our gross margin was impacted by the application of SFAS No. 152 and the sale of vacation ownership interests in higher cost resorts as a result of rising construction costs, partially offset by increased sales of vacation ownership interests in The Fountains resort, which has a relatively low associated product cost, and the previously discussed price increase. We expect that Bluegreen Resorts' gross margin will remain within the 75-77% range during 2006.

Other resort operations revenue decreased \$6.0 million or 39% during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. Other resort operations revenue decreased \$8.3 million or 26% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The adoption of SFAS No. 152 had the impact of decreasing other resort operations revenue due to the reclassification of rental proceeds from other resort

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operations revenue to net against cost of other resort operations, partially offset by the classification of revenue for sales incentives to other resort operations revenue. Excluding the impact of SFAS No. 152, other resort operations revenue would have decreased \$3.8 million or 25% and \$4.5 million or 14% during the three and six months ended June 30, 2006, respectively, as compared to the same periods in the prior year. These pro forma decreases represent lower sales of mini-vacation packages on behalf of third parties partially offset by increases in fees earned by our wholly-owned title company as well as higher resort management fees earned by our resort management company. Resort management fees increased in the aggregate due to an increase in the number of resorts to which such services are provided.

Cost of other resort operations decreased \$7.1 million or 42% during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. Cost of other resort operations decreased \$10.6 million or 30% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The adoption of SFAS No. 152 had the impact of decreasing cost of other resort operations due primarily to the reclassification of rental proceeds from other resort operations revenue and reclassification of the net proceeds of the Sampler program from selling and marketing expenses to a reduction to cost of other resort operations. Excluding the impact of SFAS No. 152, cost of other resort operations would have decreased \$4.1 million or 24% and \$4.9 million or 14% during the three and six months ended June 30, 2006, respectively, as compared to the same periods in the prior year. These pro forma decreases represent lower cost of mini-vacations sold on behalf of third parties, due to the reduction in related revenues, partially offset by higher subsidies incurred relative to the property owners' associations that maintain our resorts.

Selling and marketing expenses for Bluegreen Resorts increased \$6.3 million or 12% during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. Selling and marketing expenses for Bluegreen Resorts increased \$17.0 million or 19% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. As a percentage of sales, selling and marketing expenses increased from 55% during the three months ended June 30, 2005 to 65% during the three months ended June 30, 2006. The adoption of SFAS No. 152 had the impact of increasing selling and marketing expenses as a percentage of sales as a result of the immediate recognition of marketing

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expenses associated with certain VOI sales that have not yet been recognized, and due to the reclassification of the net profits of the Sampler program from selling and marketing expenses to a reduction of cost of other resort operations revenue. Excluding the impact of SFAS No. 152, selling and marketing expense would have increased \$8.5 million or 16% and \$19.2 million or 21% during the three and six months ended June 30, 2006 as compared to the same periods in 2005. As a percentage of sales, on a pro forma basis, selling and marketing expenses decreased from 55% during the three months ended June 30, 2005 to 54% during the three months ended June 30, 2006 and increased from 55% during the six months ended June 30, 2005 to 57% during the six months ended June 30, 2006. The increase in selling and marketing expense during the six months ended June 30, 2006 as compared to the same period in 2005 reflects a general increase in overall marketing expenses, including start-up costs related to new marketing alliances and higher marketing expenses as a percentage of sales at our newly opened off-site sales offices. We believe that selling and marketing expenses as a percentage of sales is an important indicator of the performance of Bluegreen Resorts and our performance as a whole. No assurance can be given that selling and marketing expenses will not increase as a percentage of sales in future periods.

Field general and administrative expenses for Bluegreen Resorts increased \$1.4 million or 26% during the three months ended June 30, 2006, as compared to the three months ended June 30, 2005. Field general and administrative expenses for Bluegreen Resorts increased \$3.8 million or 41% during the six months ended June 30, 2006, as compared to the six months ended June 30, 2005. These increases were due primarily to the incremental cost of opening and operating our new sales offices.

Approximately \$37.0 million and \$20.8 million of sales and field operating profit, respectively, were deferred under SFAS No. 152, as of June 30, 2006.

Bluegreen Communities. During the three months ended June 30, 2005 and June 30, 2006, Bluegreen Communities generated \$62.3 million (39%) and \$50.6 million (36%) of our total consolidated sales, respectively. During the six months ended June 30, 2005 and June 30, 2006, Bluegreen Communities generated \$100.7 million (38%) and \$98.2 million (37%) of our total consolidated sales, respectively.

The table below sets forth the number of homesites sold by Bluegreen Communities and the average sales price per homesite for the periods indicated, before giving effect to the percentage-of-completion method of accounting and excluding sales of bulk parcels.

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006
Number of homesites sold	776	520	1,411	954
Average sales price per homesite	\$83,159	\$92,690	\$ 79,711	\$82,785
Gross margin	50%	46%	49%	44%

Bluegreen Communities' sales decreased \$11.7 million or 19% during the three months ended June 30, 2006, as compared to the three months ended June 30, 2005. This was due to the substantial sell-out of six of our communities

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subsequent to June 30, 2005, primarily Traditions of Braselton, our golf course community in Braselton, Georgia, and Sanctuary Cove at St. Andrews Sound, an approximately 500-acre golf course community in Brunswick, Georgia. There were no sales at Traditions of Braselton during the three months ended June 30, 2006 as compared to \$15.2 million during the three months ended June 30, 2005. Sales recognized at Sanctuary Cove decreased by \$4.2 million, due to the substantial sellout of all three phases of the community. Additionally, we experienced sales decreases at Catawba Falls (Black Mountain, NC), Saddle Creek Forest (near Houston, TX), Silver Lakes Ranch (Sunset, TX) and Sugar Tree on the Brazos (outside Fort Worth, TX) of \$1.0 million, \$2.0 million, \$1.0 million, and \$1.7 million, respectively. The decrease in Communities sales was partially offset by sales increases at certain of our existing communities and sales at communities which opened for sales after June 30, 2005 (the "New Communities"). The New Communities were: The Settlement at Patriot Ranch, located near San Antonio, which commenced sales in August 2005, and recognized sales of \$2.1 million during the second quarter of 2006; and, Havenwood at Hunter's Crossing, located near San Antonio, Texas, which was purchased in July 2005 and recognized sales of \$1.8 million in the second quarter of 2006. In addition to the New Communities, we experienced sales increases at Mystic Shores (Canyon Lake, TX), Lake Ridge at Joe Pool Lake (Cedar Hill, TX), Mountain Springs Ranch (Canyon Lake, TX), and Chapel Ridge (Chapel Hill, NC) of \$1.2 million, \$2.8 million, \$4.7 million, and \$3.1 million, respectively.

Bluegreen Communities' sales decreased \$2.5 million or 2% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The decrease was primarily due to the substantial sell-out of Traditions of Braselton and Sanctuary Cove. There were no sales at Traditions of Braselton during the six months ended June 30, 2006 as compared to \$21.6 million during the six months ended June 30, 2005. Sales at Sanctuary Cove decreased by \$13.9 million for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. In addition, Brickshire (New Kent, VA), Quail Springs (Weatherford, TX), Silver Lakes Ranch (Sunset, TX) and Ridgelake Shores (Magnolia, TX) were substantially sold out prior to 2006. Sales also decreased at Sugar Tree on the Brazos. These sales decreases were partially offset by sales at the New Communities. The New Communities, The Settlement at Patriot Ranch and Havenwood at Hunter's Crossing, both recognized an increase of \$3.1 million each in the period ended June 30, 2006 as compared to 2005. In addition to the New Communities, we recognized increased sales at Fairway Crossing (Huffman, TX), Lake Ridge (Cedar Hill, TX), Mystic Shores (Canyon Lake, TX), Mountain Springs (Canyon Lake, TX), Catawba Falls (Black Mountain, NC), Saddle Creek Forest (Magnolia, TX) and Chapel Ridge (Chapel Hill, NC) of \$1.2 million, \$4.2 million, \$3.8 million, \$6.3 million, \$2.9 million, \$3.8 million, and \$3.9 million respectively. Sales in 2006 also benefited from a \$7.0 million bulk sale of property near San Diego, California.

In March 2006, we purchased The Bridges at Preston Crossings, an approximately 1,580-acre planned golf community in Grayson County, Texas, which is located just outside of Dallas, for \$26.1 million. Additionally, in April 2006, we purchased Vintage Oaks at the Vineyards, a 3,300 acre parcel in New Braunfels, Texas, which is located just outside San Antonio, for \$27.3 million. We also acquired 130 acres in April 2006 for \$0.7 million for Saddle Creek Ranch in Magnolia, TX, a follow-on community from our successful Saddle Creek Forest. In June 2006, we completed the purchase of a 953 acre parcel in College Station, Texas, located northwest of Houston. It was purchased for \$3.1 million and is expected be developed into a community with 432 homesites. Based on our assessment of current estimated retail prices and the expected number of homesites to be offered, we currently believe that these recent acquisitions will, in the aggregate, generate estimated life-of-project sales of approximately \$318.2 million over an eight year period. Sales at these new properties are expected to commence in the fourth quarter of 2006.

As noted above, certain of our properties substantially sold out earlier

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in 2005 than previously anticipated as a result of the continued strong demand for our communities. We have acquired the New Properties and, although there is no assurance that we will be successful, we are continuing to pursue the acquisition of properties in markets where we currently conduct business and in new regions of the country, in order to maintain appropriate levels of properties in our portfolio.

Bluegreen Communities' gross margin decreased from 50% during the three months ended June 30, 2005 to 46% during the three months ended June 30, 2006. Additionally, gross margin decreased from 49% during the six months ended June 30, 2005 to 44% during the six months ended June 30, 2006. Variations in cost structures and the market pricing of projects available for sale as well as the opening of phases of projects which include premium homesites (e.g., water frontage, preferred views, larger acreage homesites, etc.) impact the gross margin of Bluegreen Communities from period to period. These factors, as well as the impact of percentage-of-completion accounting, will cause variations in gross margin between periods, although the gross margin of Bluegreen Communities has historically been between 45% and 55% of sales and is expected to approximate these percentages for the foreseeable future. In addition, during the six months

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ended June 30, 2006, gross margin was negatively impacted by the bulk sale of property near San Diego, California, which had a relatively low margin, resulting in a 44% gross margin at Bluegreen Communities during the period.

Selling and marketing expenses for Bluegreen Communities decreased \$2.6 million or 25% during the three months ending June 30, 2006 as compared to the same period in 2005. Selling and marketing expenses decreased \$3.7 million or 20% during the three months ending June 30, 2006 as compared to the same period in 2005. Selling and marketing expenses for Bluegreen Communities decreased as a percentage of sales from 17% to 15% during the three months ended June 30, 2005 and 2006, and from 18% to 15% during the six months ended June 30, 2005 and June 30, 2006, respectively. These expenditures decreased due to lower sales for the three and six months ended June 30, 2006 as compared to the three and six months ended June 30, 2005. In addition, these expenses were lower as a result of a relatively lower commission on the bulk sale of property near San Diego, California in the six months ended June 30, 2006.

Bluegreen Communities' general and administrative expenses decreased \$1.3 million or 40% during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005, and decreased \$1.2 million or 21% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. This decrease in general and administrative expenses was due to the closure of five sales offices in the second half of 2005. The offices at Silver Lakes Ranch, Mountain Lakes Ranch, Quail Springs Ranch, Brickshire, and the Traditions of Braselton were closed as a result of the substantial sell out of these locations.

Corporate General and Administrative Expenses. Our corporate general and administrative expenses consist primarily of expenses associated with administering the various, centralized support functions at our corporate headquarters, including accounting, human resources, information technology, mergers and acquisitions, mortgage servicing, treasury and legal. Such expenses were \$8.9 million and \$11.6 million during the three months ended June 30, 2005 and June 30, 2006, respectively. As a percentage of sales of real estate, corporate general and administrative expenses were 6% and 8% during the three months ended June 30, 2005 and June 30, 2006, respectively. Corporate general and administrative expenses were \$19.3 million and \$21.6 million for the six



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months ended June 30, 2005 and June 30, 2006, respectively. As a percentage of sales of real estate, corporate general and administrative expenses were approximately 7% and 8% during the six months ended June 30, 2005 and June 30, 2006, respectively.

The increase in corporate general and administrative expenses during the three and six months ended June 30, 2006, as compared to the three and six months ended June 30, 2005, reflects the continued expansion of our corporate facilities and increases in personnel and other expenses incurred in our information technology, accounting and acquisition and development areas to support our growth. Also contributing to higher corporate general and administrative expenses in 2006 is the recognition of stock-based compensation as a result of adopting the provisions of SFAS No. 123R. During the three and six months ended June 30, 2006, expense recognized under SFAS No. 123R was \$0.4 million and \$0.9 million, respectively.

For a discussion of field selling, general and administrative expenses, please see "Sales and Field Operations," above.

Interest Income. Interest income is earned from our notes receivable, retained interests in notes receivable sold and cash and cash equivalents. Interest income totaled \$8.3 million and \$9.5 million during the three months ended June 30, 2005 and June 30, 2006, respectively. Interest income totaled \$16.1 million and \$17.7 million during the six months ended June 30, 2005 and June 30, 2006, respectively. The increase in interest income during the three and six months ended June 30, 2006 as compared to the same period in 2005 was due to higher average vacation ownership notes receivable balance during 2006 as compared to 2005.

Gain on Sales of Notes Receivable. During the three months ended June 30, 2005 and June 30, 2006, we sold \$45.0 million and \$16.6 million, respectively, of notes receivable pursuant to our off-balance sheet vacation ownership receivables purchase facilities in place during the respective periods. In connection with these sales, we recognized gains on sales of notes receivable of \$4.8 million and \$2.7 million during the three months ended June 30, 2005 and June 30, 2006, respectively. As a result of adopting SFAS No. 152, approximately \$2.6 million of the gain was reflected as an increase to VOI sales during the three months ended June 30, 2006.

During the six months ended June 30, 2005 and June 30, 2006, we sold \$89.9 million and \$57.5 million, respectively, of notes receivable and recognized gains totaling \$9.6 million and \$9.7 million, respectively. As a result of adopting SFAS No. 152, approximately \$9.2 million of the gain was reflected as an increase to VOI sales during the six months ended June 30, 2006.

The amount of gain recognized on sales of notes receivable during a period depends on several factors, including the amount of availability, if any, under receivables purchase facilities that qualify for off-balance sheet (or "sales") treatment under SFAS No. 140, the amount of eligible receivables available for sale, our cash requirements, the

covenants and other provisions of the applicable vacation ownership receivables purchase facility (as described further below) and management's discretion as it relates to the timing and amount of receivables to sell as well as management's selection of which facility to utilize for such sale. The United States generally accepted accounting principles governing the accounting for our sale of receivable transactions is evolving and achieving off-balance sheet accounting treatment is becoming more difficult. Due to the complexity of the

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accounting rules surrounding such transactions, we have decided to limit the use of off-balance sheet structures in the future. We currently intend to structure certain of our vacation ownership receivables purchase facilities, specifically those that are used to accumulate receivables pending a term securitization transaction, in a manner so as to account for sales of receivables under such facilities as on-balance sheet borrowings pursuant to SFAS No. 140. Accordingly, no gains or losses will be recognized on the sales of receivables to such facilities until the receivables are included in an appropriately structured term securitization transaction. This accounting treatment is expected to increase the volatility of our quarterly earnings prospectively, but is not anticipated to materially impact annual earnings.

**Interest Expense.** Interest expense was \$4.1 million and \$3.5 million during the three months ended June 30, 2005 and June 30, 2006, respectively. Interest expense was \$7.6 million and \$6.8 million during the six months ended June 30, 2005 and June 30, 2006, respectively. The decrease in interest expense during the three and six months ended June 30, 2006 as compared to the comparable period ended June 30, 2005 was primarily as a result of increased capitalized interest on current development activity offset by the impact of higher average debt outstanding and rising interest rates.

Total interest expense capitalized to construction in progress was \$2.4 million and \$4.7 million for the three and six months ended June 30, 2005, respectively, and \$3.5 million and \$5.8 million for the three and six months ended June 30, 2006, respectively.

**Provision for Loan Losses.** During the three and six months ended June 30, 2005 we recorded a provision for loan losses of \$7.5 million and \$12.2 million, respectively. This provision was based on the Company's estimate of the expected performance of our vacation ownership notes receivable, reduced by the value of the underlying inventory that is anticipated to be recovered upon default. Effective January 1, 2006, SFAS No. 152 requires that the estimated losses on originated mortgages exclude an estimate for the value of recoveries and further requires that the provision for loan losses for vacation ownership receivables be reflected as a reduction of VOI sales. During the three and six months ended June 30, 2006, we recorded provisions for loan losses of \$15.3 million and \$25.9 million, respectively, as a reduction to VOI sales.

The allowance for loan losses by division as of December 31, 2005 and June 30, 2006 was as follows:

	Bluegreen Resorts	Bluegreen Communities	Other	Total
	-----	-----	-----	-----
	(dollars in thousands)			
December 31, 2005:				
Notes receivable .....	\$ 131,058	\$ 7,408	\$ 186	\$ 138,652
Allowance for loan losses .....	(10,466)	(217)	(186)	(10,869)
	-----	-----	-----	-----
Notes receivable, net .....	\$ 120,592	\$ 7,191	\$ --	\$ 127,783
	=====	=====	=====	=====
Allowance as a % of gross notes receivable .....	8%	3%	100%	8%
	=====	=====	=====	=====
June 30, 2006:				
Notes receivable .....	\$ 183,353	\$ 7,210	\$ 186	\$ 190,749
Allowance for loan losses .....	(17,173)	(159)	(186)	(17,518)
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Notes receivable, net .....	\$ 166,180	\$ 7,051	\$ --	\$ 173,231
	=====	=====	=====	=====
Allowance as a % of gross notes receivable .....	9%	2%	100%	9%
	=====	=====	=====	=====

The allowance for loan losses for Bluegreen Resorts increased as a percentage of the notes receivable balance at June 30, 2006 compared to December 31, 2005 due to the implementation of SFAS 152, which requires that the estimated losses on originated mortgages exclude an estimate for the value of the recovered inventory as such recoveries are required to be considered in inventory costing.

Other Income and Expense, Net. Other expense, net was \$2.8 million for the three months ended June 30, 2005 as compared to other income, net of \$368,000 for the three months ended June 30, 2006. Other expense, net was \$3.7 million and \$267,000 for the six month periods ended June 30, 2005 and 2006, respectively. The decrease in other income and expense, net, during the six months ended June 30, 2006 and the increase in other income, net during the three months ended June 30, 2006 as compared to the comparable prior year periods was primarily a result of the 2005 recognition of a

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\$1.7 million loss on early extinguishment of \$55.0 million of our 10.5% Senior Secured Notes and higher amortization of legal and other expenses related to our vacation ownership receivables purchase facilities.

Minority Interest in Income of Consolidated Subsidiary. We include the results of operations and financial position of Bluegreen/Big Cedar Vacations, LLC (the "Subsidiary"), our 51%-owned subsidiary, in our consolidated financial statements. (See Note 1 of the Notes to Condensed Consolidated Financial Statements). The minority interest in income of consolidated subsidiary is the portion of our consolidated pre-tax income that is earned by Big Cedar, L.L.C., the unaffiliated 49% interest holder in the Subsidiary. Minority interest in income of consolidated subsidiary was \$948,000 and \$1.7 million during the three months ended June 30, 2005 and June 30, 2006, respectively. Minority interest in income of consolidated subsidiary was \$1.7 million \$2.7 million during the six months ended June 30, 2005 and June 30, 2006, respectively.

Cumulative Effect of Change in Accounting Principle from the Adoption of SFAS No. 152. The adoption of SFAS No. 152 on January 1, 2006 resulted in a net charge of \$4.5 million, which is presented as a cumulative effect of change in accounting principle. The cumulative effect of change in accounting principle primarily consists of the deferral of VOI sales and related costs for sales that were previously recognized but did not meet the required down payment threshold at January 1, 2006, due to sales incentives provided to buyers and the treatment of our Sampler program, and the related tax benefit, net of the cumulative effect of change in accounting principle charge related to the minority interest in the Subsidiary.

Summary. Based on the factors discussed above, our net income was \$14.9 million and \$6.6 million during the three months ended June 30, 2005 and June 30, 2006, respectively. Net income for the six months ended June 30, 2005 and 2006 was \$21.3 million and \$6.1 million, respectively.

### Changes in Financial Condition

The following table summarizes our cash flows for the six months ended

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June 30, 2005 and June 30, 2006 (in thousands):

	Six months ended June 30, 2005	June 30, 2006
	-----	-----
Cash flows provided (used) by operating activities.....	\$ 35,180	\$ (32,329)
Cash flows (used) provided by investing activities.....	(7,063)	1,367
Cash flows (used) provided by financing activities.....	(34,465)	16,895
	-----	-----
Net decrease in cash.....	\$ (6,348)	\$ (14,067)
	=====	=====

Cash Flows From Operating Activities. Cash flows provided by operating activities decreased \$67.5 million or 192% from an inflow of \$35.2 million during the six months ended June 30, 2005 to an outflow of \$32.3 million during the six months ended June 30, 2006. The decrease in cash flows provided by operating activities during the six months ended June 30, 2006 compared to the same period the prior year was primarily driven by higher inventory acquisition and development spending and an increase in notes receivable due to increased VOI sales. Offsetting the decrease in cash flows from operations was higher proceeds from the sale of and borrowings collateralized by notes receivable, net of payments, during the six months ended June 30, 2006 as compared to the same period in 2005.

We report cash flows from borrowings collateralized by notes receivable and sales of notes receivable as operating activities in the consolidated statements of cash flows. The majority of Bluegreen Resorts' sales result in the origination of notes receivable from its customers. We believe that accelerating the conversion of such notes receivable into cash, either through the pledge or sale of our notes receivable, on a regular basis is an integral function of our operations, and have therefore classified such activities as operating activities.

Cash Flows From Investing Activities. Cash flows provided by investing activities increased \$8.4 million or 119% from an outflow of \$7.1 million during the six months ended June 30, 2005 to an inflow of \$1.4 million during the six months ended June 30, 2006, respectively. This increase was due primarily to higher amounts of cash received from our retained interests in notes receivable sold partially off-set by higher cash expenditures for property and equipment during the six months ended June 30, 2005 as compared to the six months ended June 30, 2006. In addition, during the six months ended June 30, 2006, we capitalized investments of \$464,000 as compared to \$1.8 million during the six months ended June 30, 2005, into statutory business trusts for the purpose of issuing trust preferred securities and investing the proceeds thereof in our junior subordinated debentures (see "Liquidity and Capital Resources").

Cash Flows From Financing Activities. Cash flows provided by financing activities increased \$51.4 million or 149% from a cash outflow of \$34.5 million during the six months ended June 30, 2005 to a cash inflow of \$16.9 million during the six months ended June 30, 2006. This increase was due primarily to the redemption of \$55.0 million of our 10.5% Senior Secured Notes as well as lower borrowings, net of re-payments, under our credit facilities during the six months ended June 30, 2005 as compared to the six months ended June 30, 2006.

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These increases were partially offset by the receipt of \$59.3 million of proceeds in connection with our issuance of the junior subordinated debentures in the six months ended June 30, 2005, as compared to only \$15.5 million of such proceeds in the six months ended June 30, 2006.

### Liquidity and Capital Resources

Our capital resources are provided from both internal and external sources. Our primary capital resources from internal operations are: (i) cash sales, (ii) down payments on homesite and VOI sales which are financed, (iii) proceeds from the sale of, or borrowings collateralized by, notes receivable, including cash received from our retained interests in notes receivable sold, (iv) principal and interest payments on the purchase money mortgage loans and contracts for deed owned arising from sales of VOIs and homesites and (v) net cash generated from other resort services and other communities operations. Historically, external sources of liquidity have included non-recourse sales of notes receivable, borrowings under secured and unsecured lines-of-credit, seller and bank financing of inventory acquisitions and the issuance of debt securities. Our capital resources are used to support our operations, including (i) acquiring and developing inventory, (ii) providing financing for customer purchases, (iii) funding operating expenses and (iv) satisfying our debt and other obligations. As we are continually selling and marketing real estate (VOIs and homesites), it is necessary for us to continually acquire and develop new resorts and communities in order to maintain adequate levels of inventory to support operations. We anticipate that we will continue to require external sources of liquidity to support our operations, satisfy our debt and other obligations and to provide funds for growth.

Our level of debt and debt service requirements have several important effects on our operations, including the following: (i) we have significant cash requirements to service debt, reducing funds available for operations and future business opportunities and increasing our vulnerability to adverse economic and industry conditions; (ii) our leveraged position increases our vulnerability to economic and competitive pressures; (iii) the financial covenants and other restrictions contained in the indentures, the credit agreements and other agreements relating to our indebtedness require us to meet certain financial tests and restrict our ability to, among other things, borrow additional funds, dispose of assets, make investments or pay cash dividends on, or repurchase, preferred or common stock; and (iv) funds available for working capital, capital expenditures, acquisitions and general corporate purposes may be limited. Certain of our competitors operate on a less leveraged basis and have greater operating and financial flexibility than we do.

We currently intend to continue to pursue a growth-oriented strategy, particularly with respect to our Bluegreen Resorts business segment. In connection with this strategy, we may from time to time acquire, among other things, additional resort properties and completed but unsold VOIs; land upon which additional resorts may be built; management contracts; loan portfolios of vacation ownership mortgages; portfolios which include properties or assets which may be integrated into our operations; interests in joint ventures; and operating companies providing or possessing management, sales, marketing, development, administration and/or other expertise with respect to our operations in the vacation ownership industry. In addition, we intend to continue to focus Bluegreen Communities' activities on larger, more capital intensive projects particularly in those regions where we believe the market for our products is strongest, such as new golf communities in the Southeast and other areas and continued growth in our successful regions in Texas.

The following is a discussion of our purchase and credit facilities that were important sources of our liquidity as of June 30, 2006. These facilities do not constitute all of our outstanding indebtedness as of June 30, 2006. Our other indebtedness includes outstanding senior secured notes payable, junior

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subordinated debentures, and borrowings collateralized by real estate inventories that were not incurred pursuant to an ongoing credit facility and capital leases.

### Vacation Ownership Receivables Purchase Facilities - Off-Balance Sheet Arrangements

Our ability to monetize our notes receivable from VOI buyers is a critical factor in our continued liquidity. When we sell VOIs, a financed buyer is only required to pay a minimum down payment of 10% of the purchase price in cash at the time of sale, however, selling, marketing and administrative expenses are primarily cash expenses and, in our case for the six months ended June 30, 2006, approximated 64% of sales. Accordingly, having facilities available for the hypothecation or sale of these vacation ownership receivables is a critical factor to our ability to meet our short and long-term cash needs.

The GE Purchase Facility. In March 2006, we executed agreements for a vacation ownership receivables purchase facility (the "GE Purchase Facility") with General Electric Capital Corporation ("GE"). The GE Purchase Facility utilizes an owner's trust structure, pursuant to which we sell receivables to Bluegreen Receivables Finance Corporation XI, our wholly-owned, special purpose finance subsidiary ("BRFC XI"), and BRFC XI sells the receivables to an owner's trust (a

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qualified special purpose entity) without recourse to us or BRFC XI except for breaches of certain customary representations and warranties at the time of sale. We did not enter into any guarantees in connection with the GE Purchase Facility. The GE Purchase Facility has detailed requirements with respect to the eligibility of receivables for purchase, and fundings under the GE Purchase Facility are subject to certain conditions precedent. Under the GE Purchase Facility, a variable purchase price of approximately 90% of the principal balance of the receivables sold, subject to adjustment under certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as GE has received a specified return, a specified overcollateralization ratio is achieved, a cash reserve account is fully funded and all servicing, custodial, agent and similar fees and expenses have been paid. GE is entitled to receive a return equal to the applicable Swap Rate (which is essentially a published interest swap arrangement rate as defined in the GE Purchase Facility agreements) plus 2.35%, subject to use of alternate return rates in certain circumstances. In addition, we paid GE a structuring fee of approximately \$437,500 in March 2006. Subject to the terms of the agreements, we will act as servicer under the GE Purchase Facility for a fee.

The GE Purchase Facility includes various conditions to purchase, covenants, trigger events and other provisions customary for a transaction of this type. GE's obligation to purchase under the GE Purchase Facility may terminate earlier than the dates noted above upon the occurrence of certain specified events set forth in the GE Purchase Facility agreements. These specified events, some of which are subject to materiality qualifiers and cure periods, include, without limitation, (i) the aggregate amount of all advances under the GE Purchase Facility equaling \$125.0 million; (ii) our breach of the representations or warranties in the GE Purchase Facility; (iii) our failure to perform our covenants in the GE Purchase Facility; (iv) our commencement of a bankruptcy or similar proceedings; (v) the amount of any advance under the GE Purchase Facility failing to meet a specified overcollateralization amount; (vi) significant delinquencies or defaults on the receivables sold; (vii) recovery rates falling below a pre-determined amount; (viii) a default or breach under any other agreement beyond the applicable grace period if such default or breach (a) involves the failure to make a payment in excess of 5% of our Tangible Net

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Worth (as defined in the GE Purchase Facility agreements to include our subordinated debentures) or (b) causes, or permits the holder of indebtedness to cause, an amount in excess of 5% of our Tangible Net Worth to become due; (ix) our Tangible Net Worth at the end of any calendar quarter not equaling at least \$303.3 million plus 50% of net income following December 31, 2005; (x) the ratio of our debt (excluding our subordinated debentures and receivable-backed debt of no more than \$600 million) to Tangible Net Worth exceeding 2.50 to 1; (xi) the ratio of our consolidated earnings before interest, taxes, depreciation and amortization to our interest expense (net of interest income) falling below 2.00 to 1; (xii) the number of points available in the Bluegreen Vacation Club falling below approximately 930.7 million points; (xiii) our ceasing to conduct the vacation ownership business or to originate vacation ownership receivables or if certain changes in our ownership or control occur; (xiv) the failure of certain of our resorts to be part of the Bluegreen Vacation Club or be managed by us, one of our subsidiaries or another entity acceptable to GE; (xv) operating budgets and reserve accounts maintained by the property owners' associations responsible for maintaining certain of our resorts failing to comply with applicable laws and governing documents; (xvi) our failure to discharge, stay or bond pending appeal any final judgments for the payment of an amount in excess of 2.5% of our Tangible Net Worth in a timely manner; (xvii) our default under or breach of certain resort management or marketing contracts; or (xviii) our failure to perform our servicing obligations, otherwise have our servicing rights terminated or if we do not exercise the Servicer Purchase Option pursuant to the terms of the GE Purchase Facility.

The GE Purchase Facility allows for sales of notes receivable for a cumulative purchase price of up to \$125.0 million through March 2008. On March 28, 2006, the Company sold \$22.3 million in vacation ownership receivables under the GE Purchase Facility. On May 23, 2006, we sold an additional \$16.6 million in vacation ownership receivables pursuant to the GE Purchase Facility. As of June 30, 2006, the remaining availability under the GE Purchase Facility was \$89.9 million, subject to eligibility requirements and fulfillment of conditions precedent.

We have chosen to monetize our receivables through the GE Purchase Facility and through periodic term securitization transactions historically, as these off-balance sheet arrangements provide us with cash inflows both currently and in the future at what we believe to be competitive rates without adding leverage to our balance sheet or retaining recourse for losses on the receivables sold. In addition, these sale transactions have generated gains on our income statement on a quarterly basis, which would not be realized under a traditional financing arrangement.

The GE Purchase Facility discussed above and the BB&T Purchase Facility discussed under "Credit Facilities for Bluegreen Resorts' Receivables and Inventories" are the only ongoing receivables purchase facilities under which we currently have the ability to sell receivables. Factors which could adversely impact our ability to obtain new or additional vacation ownership receivable purchase facilities include a downturn in general economic conditions; negative trends in the commercial paper or LIBOR markets; increases in interest rates; a decrease in the number of financial institutions or other entities willing to enter into facilities with vacation ownership companies; a deterioration in the performance of our vacation ownership notes receivable or in the performance of portfolios sold in prior transactions, specifically increased delinquency, default and loss severity rates; and a deterioration in our performance generally. There can be no assurance that we will obtain new purchase facilities or will be in a position to replace our existing purchase facilities when they are

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fully funded or expire. As indicated above, our inability to sell vacation ownership receivables under a current or future facility could have a material adverse impact on our liquidity. However, management believes that to the extent we could not sell receivables under a purchase facility, we could potentially mitigate the adverse impact on our liquidity by using our receivables as collateral under existing or future credit facilities.

Historically, we have also been a party to a number of securitization-type transactions, all of which in our opinion utilize customary structures and terms for transactions of this type. In each securitization-type transaction, we sold receivables to a wholly-owned special purpose entity which, in turn, sold the receivables either directly to third parties or to a trust established for the transaction. In each transaction, the receivables were sold on a non-recourse basis (except for breaches of certain representations and warranties) and the special purpose entity has a retained interest in the receivables sold. We have acted as servicer of the receivables pools in each transaction for a fee, with the servicing obligations specified under the applicable transaction documents. Under the terms of the applicable securitization transaction, the cash payments received from obligors on the receivables sold are distributed to the investors (which, depending on the transaction, may acquire the receivables directly or purchase an interest in, or make loans secured by the receivables to, a trust that owns the receivables), parties providing services in connection with the facility, and our special purpose subsidiary as the holder of the retained interests in the receivables according to specified formulas. In general, available funds are applied monthly to pay fees to service providers, make interest and principal payments to investors, fund required reserves, if any, and pay distributions in respect of the retained interests in the receivables. Pursuant to the terms of the transaction documents, however, to the extent the portfolio of receivables fails to satisfy specified performance criteria (as may occur due to an increase in default rates or loan loss severity) or other trigger events, the funds received from obligors are distributed on an accelerated basis to investors. In effect, during a period in which the accelerated payment formula is applicable, funds go to outside investors until they receive the full amount owed to them and only then are payments made to our subsidiary in its capacity as the holder of the retained interests. Depending on the circumstances and the transaction, the application of the accelerated payment formula may be permanent or temporary until the trigger event is cured. If the accelerated payment formula were to become applicable, the cash flow on the retained interests in the receivables would be reduced until the outside investors were paid or the regular payment formula was resumed. Such a reduction in cash flow could cause a decline in the fair value of our retained interests in the receivables sold. Declines in fair value that are determined to be other than temporary are charged to operations in the current period. In each facility, the failure of the pool of receivables to comply with specified portfolio covenants can create a trigger event, which results in the use of the accelerated payment formula (in certain circumstances until the trigger event is cured and in other circumstances permanently) and, to the extent there was any remaining commitment to purchase receivables from our special purpose subsidiary, the suspension or termination of that commitment. In addition, each securitization facility provides that upon certain breaches of our obligations as servicer or other events allow the indenture trustee to cause the servicing to be transferred to a substitute third party servicer. In that case, our obligation to service the receivables would terminate and we would cease to receive a servicing fee.

The following is a summary of significant financial information related to the GE Purchase Facility and prior off-balance sheet, receivables purchase facilities during the periods presented (in thousands):



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	December 31, 2005	June 30, 2005
On Balance Sheet:		
Retained interests in notes receivable sold .....	\$ 105,696	\$ 105,696
Off Balance Sheet:		
Notes receivable sold without recourse .....	429,403	429,403
Principal balance owed to note receivable purchasers .....	396,679	396,679

	Three months ended June 30, 2005	June 30, 2005
Income Statement:		
Gain on sales of notes receivable .....	\$ 4,878	\$ 4,878
Interest accretion on retained interests in notes receivable sold .	2,354	2,354
Servicing fee income .....	1,107	1,107

	Six months ended June 30, 2005	June 30, 2005
Income Statement:		
Gain on sales of notes receivable .....	\$ 9,598	\$ 9,598
Interest accretion on retained interests in notes receivable sold .	4,362	4,362
Servicing fee income .....	2,298	2,298

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## Credit Facilities for Bluegreen's Receivables and Inventories

In addition to the vacation ownership receivables purchase facilities discussed above, we maintain various credit facilities with financial institutions that provide receivable, acquisition and development financing for our operations. We had the following credit facilities, as of June 30, 2006 (see further discussion below):

Credit Facility	Outstanding Borrowings as of June 30, 2006	Borrowings During the Six Months Ended June 30, 2006	Advance Period Expiration; Borrowing Maturity	Borrowing Limit
The GMAC Receivables Facility	\$ 20.5 million	--	February 15, 2008; February 15, 2015	\$ 75.0 million
The GMAC	\$ 56.6 million	\$ 36.4 million	February 15, 2008;	\$ 150.0 million

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AD&C Facility			August 15, 2013	
The RFL A&D Facility	--	--	January 10, 2007; January 10, 2008	\$ 50.0 million
The Foothill Facility	\$ 2.4 million	--	December 31, 2006; December 31, 2008	\$ 30.0 million
The GMAC Communities Facility	\$ 58.6 million	\$ 70.2 million	September 30, 2008; September 30, 2009	\$ 75.0 million
The BB&T Receivable Facility	\$ 29.7 million	\$ 29.7 million	May 25, 2008; March 5, 2019	\$ 137.5 million

### Credit Facilities for Bluegreen Resorts' Receivables and Inventories

The GMAC Receivables Facility. In February 2003, we entered into a revolving vacation ownership receivables credit facility (the "GMAC Receivables Facility") with Residential Funding Corporation ("RFC"), an affiliate of GMAC. The borrowing limit under the GMAC Receivables Facility, as increased by amendment, is \$75.0 million. The borrowing period on the GMAC Receivables Facility, as amended, expires on February 15, 2008, and outstanding borrowings mature no later than February 15, 2015. The GMAC Receivables Facility has detailed requirements with respect to the eligibility of receivables for inclusion and other conditions to funding. The borrowing base under the GMAC Receivables Facility is 90% of the outstanding principal balance of eligible notes arising from the sale of VOIs. The GMAC Receivables Facility includes affirmative, negative and financial covenants and events of default. All principal and interest payments received on pledged receivables are applied to principal and interest due under the GMAC Receivables Facility. Indebtedness under the facility bears interest at 30-day LIBOR plus 4.00% (9.33% at June 30, 2006). Interest payments are due monthly. During the six months ended June 30, 2006, we did not pledge any vacation ownership receivables under the GMAC Receivables Facility. As of June 30, 2006, \$20.5 million was outstanding under the GMAC Receivables Facility.

The GMAC AD&C Facility. In September 2003, RFC also provided us with a \$75.0 million acquisition, development and construction revolving credit facility for Bluegreen Resorts, which was increased to \$150.0 million in February 2006 (the "GMAC AD&C Facility"). The borrowing period on the GMAC AD&C Facility, as amended, expires on February 15, 2008, and outstanding borrowings mature no later than August 15, 2013, although specific draws typically are due four years from the borrowing date. Principal will be repaid through agreed-upon release prices as VOIs are sold at the financed

resorts, subject to minimum required amortization. Indebtedness under the facility, as amended in February 2006, bears interest at 30-day LIBOR plus 4.50% (9.83% at June 30, 2006). Interest payments are due monthly. During the six months ended June 30, 2006, we borrowed \$36.4 million under the GMAC AD&C Facility to fund the development of VOIs at The Fountains and the Carolina Grande resorts and to finance the acquisition of property in Las Vegas, Nevada and Williamsburg, Virginia. As of June 30, 2006, \$56.6 million was outstanding

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under the GMAC AD&C Facility.

The RFL A&D Facility. In January 2005, we entered into a \$50.0 million revolving credit facility with Resort Finance, LLC ("RFL") (the "RFL A&D Facility"). We use the proceeds from the RFL A&D Facility to finance the acquisition and development of vacation ownership resorts. The RFL A&D Facility is secured by the following: 1) a first mortgage and lien on all assets purchased with the RFL A&D Facility; 2) a first assignment of all construction contracts, related documents, building permits and completion bond; 3) a negative pledge of our interest in any management, marketing, maintenance or service contracts; and 4) a first assignment of all operating agreements, rents and other revenues at the vacation ownership resorts which serve as collateral for the RFL A&D Facility, subject to any requirements of the respective property owners' associations. Borrowings under the RFL A&D Facility can be made through January 10, 2007. Principal payments will be effected through agreed-upon release prices paid to RFL as vacation ownership interests in the resorts that serve as collateral for the RFL A&D Facility are sold. The outstanding principal balance of any borrowings under the RFL A&D Facility must be repaid by January 10, 2008. Indebtedness under the facility bears interest at 30-day LIBOR plus 3.90%, subject to a 6.90% floor (9.23% at June 30, 2006). Interest payments are due monthly. We are required to pay a commitment fee equal to 1.00% of the \$50.0 million facility amount, which is paid at the time of each borrowing under the RFL A&D Facility as 1.00% of each borrowing with the balance being paid on the unutilized facility amount on January 10, 2007. In addition, we are required to pay a program fee equal to 0.125% of the \$50.0 million facility amount per annum, payable monthly. The RFL A&D Facility documents include customary conditions to funding, acceleration provisions and certain financial affirmative and negative covenants. There were no outstanding amounts due under this facility as of June 30, 2006.

The Foothill Facility. Under an existing \$30.0 million revolving credit facility with Wells Fargo Foothill, Inc. ("Foothill") primarily used for borrowings collateralized by Bluegreen Communities receivables and inventory, we can also borrow up to \$10.0 million of the facility collateralized by the pledge of vacation ownership receivables. For further details on this facility, see "Credit Facilities for Bluegreen Communities' Receivables and Inventories" below.

The BB&T Purchase Facility. In June 2006, we executed agreements for a \$137.5 million vacation ownership receivables purchase facility (the "BB&T Purchase Facility") with BB&T. While ownership of the receivables was transferred for legal purposes, the transfer of the receivables under the facility will be accounted for as a financing transaction for financial accounting purposes. Accordingly, the receivables will continue to be reflected as assets and the associated obligations will be reflected as liabilities on our balance sheet.

The BB&T Purchase Facility utilizes an owner's trust structure, pursuant to which we transfer receivables to Bluegreen Timeshare Finance Corporation I, our wholly-owned, special purpose finance subsidiary ("BTFC I"), and BTFC I subsequently transfers the receivables to an owner's trust without recourse to us or BTFC I, except for breaches of certain customary representations and warranties at the time of transfer. We did not enter into any guarantees in connection with the BB&T Purchase Facility. The BB&T Purchase Facility has detailed requirements with respect to the eligibility of receivables, and fundings under the BB&T Purchase Facility are subject to certain conditions precedent. Under the BB&T Purchase Facility, a variable purchase price of approximately 85.0% of the principal balance of the receivables transferred, subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as BB&T and other liquidity providers arranged by BB&T have in aggregate received a specified return (the "Specified Return") and all servicing, custodial, agent and similar fees and expenses have been paid. The Specified Return is equal to either the commercial

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paper rate or LIBOR rate plus 1.25%, subject to use of alternate return rates in certain circumstances. In addition, we will pay BB&T structuring and other fees totaling \$1.7 million over the term of the facility and we will act as servicer under the BB&T Purchase Facility for a fee. The BB&T Purchase Facility allows for transfers of notes receivable for a cumulative purchase price of up to \$137.5 million through May 2008.

### Credit Facilities for Bluegreen Communities' Receivables and Inventories

The Foothill Facility. We have a \$30.0 million revolving credit facility with Foothill secured by the pledge of Bluegreen Communities' receivables, with up to \$10.0 million of the total facility available for Bluegreen Communities' inventory borrowings and, as indicated above, up to \$10.0 million of the total facility available for the pledge of Bluegreen Resorts' receivables (the "Foothill Facility"). The Foothill Facility requires principal payments based on agreed-upon release prices as homesites in the encumbered communities are sold and bears interest at the prime lending rate plus 1.25% (9.5% at June 30, 2006). Interest payments are due monthly. The interest rate charged on outstanding receivable borrowings under the Foothill Facility, as amended, is the prime lending rate plus 0.25% (8.5% at June 30, 2006) when the average monthly outstanding loan balance is greater than or equal to \$15.0 million. If the average monthly outstanding loan balance is less

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than \$15.0 million, the interest rate is the greater of 4.00% or the prime lending rate plus 0.50% (8.75% at June 30, 2006). All principal and interest payments received on pledged receivables are applied to principal and interest due under the Foothill Facility. Borrowings under the Foothill Facility are available through December 31, 2006. Outstanding indebtedness collateralized by receivables is due December 31, 2008. At June 30, 2006, the outstanding principal balance under the facility was \$2.4 million, approximately \$1.7 million of which relates to Bluegreen Communities' receivables borrowings and approximately \$674,000 of which relate to Bluegreen Resorts' receivables borrowings under the Foothill Facility.

The GMAC Communities Facility. In May 2005 and again in March 2006, we amended our existing \$75.0 million revolving credit facility with RFC (the "GMAC Communities Facility"). The GMAC Communities Facility is secured by the real property homesites (and personal property related thereto) at the following Bluegreen Communities projects, as well as any Bluegreen Communities projects acquired by us with funds borrowed under the GMAC Communities Facility (the "Secured Projects"): Brickshire (New Kent County, Virginia); Mountain Lakes Ranch (Bluffdale, Texas); Ridge Lake Shores (Magnolia, Texas); Riverwood Forest (Fulshear, Texas); Waterstone (Boerne, Texas); Catawba Falls Preserve (Black Mountain, North Carolina); Lake Ridge at Joe Pool Lake (Cedar Hill and Grand Prairie, Texas); Mystic Shores at Canyon Lake (Spring Branch, Texas); Yellowstone Creek Ranch (Walsenburg, Colorado); Havenwood at Hunters' Crossing (New Braunfels, Texas); The Bridges of Preston Crossings (Grayson County, Texas); and Vintage Oaks at the Vineyards (New Braunfels, Texas). In addition, the GMAC Communities Facility is secured by our Carolina National and The Preserve at Jordan Lake golf courses in Southport, North Carolina and Chapel Hill, North Carolina, respectively. Borrowings can be drawn in conjunction with these projects through September 30, 2008. Principal payments are effected through agreed-upon release prices paid to RFC, as homesites in the Secured Projects are sold. The outstanding principal balance of any borrowings under the GMAC Communities Facility must be repaid by September 30, 2009. The interest charged on outstanding borrowings is at the prime lending rate plus 1.00% (9.25% at June 30, 2006). Interest payments are due monthly. The GMAC Communities Facility includes customary conditions to funding, acceleration and event of

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default provisions and certain financial affirmative and negative covenants. We use the proceeds from the GMAC Communities Facility to repay outstanding indebtedness on Bluegreen Communities projects, finance the acquisition and development of Bluegreen Communities projects and for general corporate purposes. In March 2006, we borrowed \$18.2 million under the GMAC Communities Facility for the acquisition of The Bridges of Preston Crossings and an additional \$9.0 million for general corporate purposes. In April of 2006, we borrowed \$19.0 million for the purchase of Vintage Oaks at the Vineyards, and \$9.0 million for general corporate purposes. In June 2006, we borrowed \$15.0 million for general corporate purposes. As of June 30, 2006, \$58.6 million was outstanding under the GMAC Communities Facility.

Over the past several years, substantially all of our homesite sales have been for cash and we have not provided a significant amount of financing to homesite purchasers. Accordingly, in recent years we have reduced the borrowing capacity under credit agreements secured by Bluegreen Communities' receivables. We attribute the significant volume of cash sales to an increased willingness on the part of banks to extend direct customer homesite financing at attractive interest rates. No assurances can be given that local banks will continue to provide such customer financing.

Historically, we have funded development for road and utility construction, amenities, surveys and engineering fees from internal operations and have financed the acquisition of Bluegreen Communities properties through seller, bank or financial institution loans. Terms for repayment under these loans typically call for interest to be paid monthly and principal to be repaid through homesite releases. The release price is usually an amount based on a pre-determined percentage (typically 25% to 55%) of the gross selling price of the homesites in the subdivision. In addition, the agreements generally call for minimum cumulative annual amortization. When we provide financing for our customers (and therefore the release price is not available in cash at closing to repay the lender), we are required to pay the lender with cash derived from other operating activities, principally from cash sales or the pledge of receivables originated from earlier property sales.

### Trust Preferred Securities

We have formed statutory business trusts (collectively, the "Trusts") and each issued trust preferred securities and invested the proceeds thereof in our junior subordinated debentures. The Trusts are variable interest entities in which we are not the primary beneficiary as defined by FASB Interpretation No. 46R. Accordingly, we do not consolidate the operations of the Trusts; instead, the Trusts are accounted for under the equity method of accounting. In each of these transactions, the applicable Trust issued trust preferred securities as part of a larger pooled trust securities offering which was not registered under the Securities Act of 1933. The applicable Trust then used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the trust preferred securities are payable quarterly in arrears at the same interest rate. Distributions on the trust preferred securities are cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are

redeemable in whole or in part at the Company's option at any time after five years from the issue date or sooner following certain specified events. In

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addition, we made an initial equity contribution to each Trust in exchange for its common securities, all of which are owned by us, and those proceeds were also used to purchase an identical amount of junior subordinated debentures from us. The terms of each Trust's common securities are nearly identical to the trust preferred securities.

We had the following junior subordinated debentures outstanding at June 30, 2006 (dollars in thousands):

Trust	Outstanding Amount of Junior Subordinated Debentures	Initial Equity To Trust	Issue Date	Fixed Interest Rate (1)	Variable Interest Rate (2)	Beginning Optional Redemption Date
Bluegreen Statutory Trust I	\$ 23,196	\$ 696	3/15/05	9.160%	LIBOR + 4.90%	3/30/10
Bluegreen Statutory Trust II	25,774	774	5/04/05	9.158%	LIBOR + 4.85%	7/30/10
Bluegreen Statutory Trust III	10,310	310	5/10/05	9.193%	LIBOR + 4.85%	7/30/10
Bluegreen Statutory Trust IV	15,464	464	4/24/06	10.130%	LIBOR + 4.85%	6/30/11
	-----					
	\$ 74,744	\$ 2,244				
	=====					

(1) Both the trust preferred securities and junior subordinated debentures bear interest at a fixed interest rate from the issue date through the beginning optional redemption date.

(2) Both the trust preferred securities and junior subordinated debentures bear interest at a variable interest rate from the beginning optional redemption date through the maturity date.

On July 21, 2006 another of our wholly-owned statutory business trusts, BST V, issued \$15.0 million of trust preferred securities. BST V used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the Trust Preferred Securities will be payable quarterly in arrears at a fixed rate of 10.28% through September, 2011 and thereafter at a floating rate of 4.85% over the 3-month LIBOR until the scheduled maturity date of September 30, 2036. Distributions on the trust preferred securities will be cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities will be subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable five years from the issue date or sooner following certain specified events. In addition, we contributed \$464,000 to BST V in exchange for its common securities, all of which are owned by us, and those proceeds were also used to purchase an identical amount of junior subordinated debentures from us. The terms of BST V's common securities are nearly identical to the trust preferred securities.

The issuances of trust preferred securities were part of larger pooled trust securities offerings which were not registered under the Securities Act of 1933. Proceeds will be used for general corporate purposes and debt repayment.

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We currently intend to seek to create similar trusts and to participate in other pooled trust preferred securities transactions in the future as a source of additional financing, subject to market conditions and other considerations.

### Unsecured Credit Facility

We have a \$15.0 million unsecured line-of-credit with Wachovia Bank, N.A. Amounts borrowed under the line bear interest at 30-day LIBOR plus 2.00% (7.33% at June 30, 2006). Interest is due monthly and all outstanding amounts are due on June 30, 2007. We can only borrow an amount under the line-of-credit which is less than the remaining availability under our current, active vacation ownership receivables purchase facilities plus availability under certain receivables warehouse facilities, less any outstanding letters of credit. The line-of-credit agreement contains certain covenants and conditions typical of arrangements of this type. As of June 30, 2006, no borrowings were outstanding under the line. However, an aggregate of \$530,000 of irrevocable letters of credit were provided under this line-of-credit which were required in connection with the obtaining of plats for one of our Bluegreen Communities projects. These letters of credit expire on December 31, 2006. This line-of-credit is an available source of short-term liquidity for us, although we have not drawn any borrowings under this facility recently.

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### Commitments

Our material commitments as of June 30, 2006 include the required payments due on our receivable-backed debt, lines of credit and other notes and debentures payable, commitments to complete our vacation ownership and communities projects based on our sales contracts with customers and commitments under noncancelable operating leases.

The following tables summarize the contractual minimum principal payments and interest obligations required on all of our outstanding debt (including our receivable-backed debt, lines-of-credit and other notes and debentures payable) and our noncancelable operating leases as of June 30, 2006, by period due (in thousands):

Contractual Obligations	Payments Due by Period				
	Less than 1 year	1 -- 3 Years	4 -- 5 Years	After 5 Years	Total
Receivable-backed notes payable	\$ 18	\$ 6,370	\$ --	\$ 50,249	\$ 56,63
Lines-of-credit and notes payable	15,569	63,383	59,116	3,460	141,52
10.50% senior secured notes payable	--	55,000	--	--	55,00
Junior subordinated debentures	--	--	--	74,744	74,74
Noncancelable operating leases	9,177	14,841	9,787	4,132	37,93
Total contractual obligations	\$ 24,764	\$139,594	\$ 68,903	\$132,585	\$365,84
	=====	=====	=====	=====	=====

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Interest Obligations (1)	Payments Due by Period				Total
	Less than 1 year	1 -- 3 Years	4 -- 5 Years	After 5 Years	
Receivable-backed notes payable	\$ 4,915	\$ 9,491	\$ 8,734	\$ 13,755	\$ 36,89
Lines-of-credit and notes payable	12,356	16,607	1,925	5,024	35,91
10.50% senior secured notes payable	5,775	7,218	--	--	12,99
Junior subordinated debentures	7,000	14,000	14,000	169,302	204,30
Total contractual obligations	\$ 30,046	47,316	\$ 24,659	\$188,081	\$290,10

(1) For interest on variable rate debt we have assumed that the interest rate remains the same as the rate at June 30, 2006.

We intend to use cash flow from operations, including cash received from the sale of vacation ownership notes receivable, and cash received from new borrowings under existing or future debt facilities in order to satisfy the principal payments in the Contractual Obligations. While we believe that we will be able to meet all required debt payments when due, there can be no assurance that this will be the case.

As noted above, we have \$530,000 in letters-of-credit outstanding at June 30, 2006, all of which were issued under the unsecured line-of-credit with Wachovia Bank, N.A. These letters-of-credit, which expire December 31, 2006, were required in connection with obtaining governmental approval of plats for one of our Bluegreen Communities projects.

We estimate that the total cash required to complete resort buildings in which sales have occurred and resort amenities and other common costs in projects in which sales have occurred to be approximately \$18.8 million as of June 30, 2006. We estimate that the total cash required to complete our Bluegreen Communities projects in which sales have occurred to be approximately \$53.9 million as of June 30, 2006. These amounts assume that we are not obligated to develop any building, project or amenity in which a commitment has not been made through a sales contract to a customer; however, we anticipate that we will incur such obligations in the future. We plan to fund these expenditures over the next five years primarily with available capacity on existing or proposed credit facilities and cash generated from operations. There can be no assurance that we will be able to obtain the financing or generate the cash from operations necessary to complete the foregoing plans or that actual costs will not exceed those estimated.

We believe that our existing cash, anticipated cash generated from operations, anticipated future permitted borrowings under existing or proposed credit facilities and anticipated future sales of notes receivable under the purchase facility and one or more replacement facilities we will seek to put in place will be sufficient to meet our anticipated working capital, capital expenditures and debt service requirements for the foreseeable future. We will be required to renew or replace credit and receivables purchase facilities that have expired or that will expire in the near term. We will, in the future, also require additional credit facilities or will be required to issue corporate debt or equity securities in connection with acquisitions or



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otherwise. Any debt incurred or issued by us may be secured or unsecured, bear fixed or variable rate interest and may be subject to such terms as the lender may require and management deems prudent. There can be no assurance that the credit facilities or receivables purchase facilities which have expired or which are scheduled to, however, expire in the near term will be renewed or replaced or that sufficient funds will be available from operations or under existing, proposed or future revolving credit or other borrowing arrangements or receivables purchase facilities to meet our cash needs, including, our debt service obligations. To the extent we are not able to sell notes receivable or borrow under such facilities, our ability to satisfy our obligations would be materially adversely affected.

Our credit facilities, indentures, and other outstanding debt instruments, and receivables purchase facilities which include customary conditions to funding, eligibility requirements for collateral, cross-default and other acceleration provisions, certain financial and other affirmative and negative covenants, including, among others, limits on the incurrence of indebtedness, limits on the repurchase of securities, payment of dividends, investments in joint ventures and other restricted payments, the incurrence of liens, transactions with affiliates, covenants concerning net worth, fixed charge coverage requirements, debt-to-equity ratios, portfolio performance requirements and events of default or termination. No assurance can be given that we will not be required to seek waivers of such covenants or that such covenants will not limit our ability to raise funds, sell receivables, satisfy or refinance our obligations or otherwise adversely affect our operations. In addition, our future operating performance and ability to meet our financial obligations will be subject to future economic conditions and to financial, business and other factors, many of which will be beyond our control.

### Item 4. Controls and Procedures.

- a) As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our principal executive officer and principal financial officer of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of June 30, 2006. Based on such evaluation, such officers have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us that is required to be included in our periodic SEC filings.
- b) There has been no change in our internal control over financial reporting during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

In April 2006, in Lesley, et al v. Bluegreen Southwest One, L.P. acting through its General Partner Bluegreen Southwest Land, Inc., et al, Cause No. 28006 District Court of the 266th Judicial District, Erath County, Texas, plaintiffs filed a First Amended Original Petition (April 2006). Pursuant to this First Amended Original Petition Plaintiffs seek to develop mineral interests in the Mountain Lakes subdivision and to recover damages from Southwest, alleging breach of contract, breach of fiduciary duty, tortious interference with existing and prospective relationships and intentional

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invasion or interference with property rights by Southwest, for allegedly interfering with the development of mineral rights held by plaintiffs. Plaintiffs' claims against Southwest total in the aggregate \$25 million. The property owners association has officially filed a cross complaint against the Company, Southwest and individual directors of the property owners association asserting various tort claims. While no assurances can be given with respect to the outcome of the litigation, based on information currently available, the Company believes that the claims lack merit and intends to vigorously defend itself in this matter.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We did not purchase any of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934. From time to time, our Board of Directors has adopted and publicly announced a share repurchase program. Repurchases under such programs are subject to the price of our stock, prevailing market conditions, our financial condition and available resources, other investment alternatives and other factors. We are not required to seek shareholder approval of share repurchase programs, have not done so in the past, and do not anticipate doing so in the future, except to the extent we may be required to do so under applicable law. We have not repurchased any shares since the fiscal year ended April 1, 2001. As of June 30, 2006, there were 694,500 shares remaining for purchase under our current repurchase program.

### Item 4. Submission of Matters to a Vote of Security Holders.

On May 16, 2006, the Company held its annual meeting of shareholders. Results of votes with respect to proposals submitted at that meeting are as follows:

- a) The election of four directors for a term of three years expiring at the 2009 annual meeting of shareholders. Votes recorded, by nominee, were as follows:

Nominee	Shares Voted			
	For	Against	Abstain	Total
Norman H. Becker	28,069,658	--	1,015,596	29,085,254
Robert F. Dwors	28,883,241	--	202,013	29,085,254
J. Larry Rutherford	28,070,128	--	1,015,126	29,085,254
Arnold Sevell	28,070,363	--	1,014,891	29,085,254

The Company's Board of Directors is divided into three classes that have terms expiring at the Company's Annual Meeting of Shareholders over the next three years.

- b) The approval of the 2006 Performance-Based Annual Incentive Plan. Our stockholders voted to approve this proposal with 28,750,543 votes for and 314,360 votes against. There were 20,351 abstentions.

### Item 6. Exhibits.

#### Exhibits:

- 4.1 Bluegreen Corporation and Mellon Investor Services LLC, Rights Agreement dated July 27, 2006 (incorporated by reference to exhibit of same designation to Current Report on Form 8-K dated

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August 2, 2006).

- 10.63 Trust Agreement of Bluegreen Statutory Trust V among Bluegreen Corporation as Depositor, Wilmington Trust Company as Trustee and Property Trustee, dated as of July 19, 2006.
- 10.64 Amended and Restated Trust Agreement among Bluegreen Corporation as Depositor, Wilmington Trust Company as Property Trustee and Delaware Trustee, and various Administrative Trustees, dated as of July 21, 2006 (Bluegreen Statutory Trust V).
- 10.65 Junior Subordinated Indenture between Bluegreen Corporation and Wilmington Trust Company as Trustee, dated as of July 21, 2006.
- 10.137\* Employment Agreement between Bluegreen Corporation and George F. Donovan, dated as of June 28, 2006.
- 10.160 Fifth Amended and Restated Loan Agreement, dated July 26, 2006 by and among the Registrant, certain subsidiaries of the Registrant and Wachovia Bank, N.A., for \$15 million, unsecured, revolving line-of-credit due June 30, 2007.
- 10.161 Fifth Amended and Restated Promissory Note dated July 26, 2006 by and among the Registrant, certain subsidiaries of the Registrant and Wachovia Bank, N.A., for \$15 million, unsecured, revolving line-of-credit due June 30, 2007.
- 10.211 Purchase and Contribution Agreement, dated as of May 1, 2006 by and among Bluegreen Corporation as Seller, and Bluegreen Timeshare Finance Corporation I as Depositor.
- 10.212 Indenture dated May 1, 2006 between BXG Timeshare Trust I as Issuer, Bluegreen Corporation as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation as Backup Servicer, US Bank, N.A. as Indenture Trustee, Paying Agent and Custodian, and Branch Banking and Trust Company as Agent.
- 10.213 Sale Agreement dated May 1, 2006, among Bluegreen Timeshare Finance Corporation I as Depositor and BXG Timeshare Trust I as Issuer.
- 10.214 Note Funding Agreement dated May 1, 2006 among BXG Timeshare Trust I as Issuer, Bluegreen Corporation as Seller and Servicer, Bluegreen Timeshare Finance Corporation I as Depositor, various Purchaser Parties, and Branch Banking and Trust Company as Agent.
- 10.215 Standard Definitions to Indenture dated May 1, 2006 between BXG Timeshare Trust I as Issuer, Bluegreen Corporation as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation as Backup Servicer, US Bank, N.A. as Indenture Trustee, Paying Agent and Custodian, and Branch Banking and Trust Company as Agent.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Compensation plan or arrangement

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLUEGREEN CORPORATION  
(Registrant)

Date: August 9, 2006

By: /S/ GEORGE F. DONOVAN

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George F. Donovan  
President and  
Chief Executive Officer

Date: August 9, 2006

By: /S/ ANTHONY M. PULEO

-----  
Anthony M. Puleo  
Senior Vice President,  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: August 9, 2006

By: /S/ RAYMOND S. LOPEZ

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Raymond S. Lopez  
Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

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