BBX CAPITAL CORP
Form 10-Q
May 12, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from _______ to _______

Commission files number 001-13133

BBX CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Florida	65-0507804
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
401 East Las Olas Boulevard Suite 800	33301
Fort Lauderdale, Florida	(Zip Code)
(Address of principal executive offices)	

(954) 940-4000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

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

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

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

Title of Each Class	Outstanding at May 5, 2014
Class A Common Stock, par value $0.01 per share	17,088,390
Class B Common Stock, par value $0.01 per share	195,045

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION-UNAUDITED

(In thousands, except share data)		March 31, 2014	December 31, 2013
ASSETS			
Cash and interest bearing deposits in banks ($2,645 and $8,686 in Variable Interest Entities ("VIE"))	$	32,919	43,138
Loans held for sale ($50,716 and $53,846 in VIE)		50,716	53,846
Loans receivable, net of allowance for loan losses of $1,588 and $2,713 ($44,587 and $56,170, net of allowance of $1,588 and $1,759 in VIE)		59,573	72,226
Real estate held for investment ($25,248 and $15,836 in VIE)		108,430	107,336
Real estate held for sale ($20,043 and $23,664 in VIE)		33,444	33,971
Investment in unconsolidated real estate joint ventures		3,346	1,354
Investment in Woodbridge Holdings, LLC		84,795	78,573
Properties and equipment, net ($7,814 and $7,899 in VIE)		14,651	14,824
Inventories		10,214	9,155
Goodwill and other intangible assets		4,355	2,686
Other assets ($2,096 and $2,413 in VIE)		14,452	14,038
Total assets	$	416,895	431,147
LIABILITIES AND EQUITY			
Liabilities:			
BB&T preferred interest in FAR, LLC ($54,504 and $68,517 in VIE)	$	54,504	68,517
Notes payable to related parties		22,012	21,662
Notes payable		9,448	9,034
Other liabilities ($12,010 and $12,355 in VIE)		25,247	28,368
Total liabilities		111,211	127,581
Commitments and contingencies (Note 13)			
Equity:			
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		-	-
Class A common stock, $.01 par value, authorized 25,000,000 shares; issued and outstanding 15,810,588 and 15,778,088 shares		158	158
Class B common stock, $.01 par value, authorized 1,800,000 shares; issued and outstanding 195,045 and 195,045 shares		2	2
Additional paid-in capital		346,155	345,300
Accumulated deficit		(41,733)	(43,091)
Accumulated other comprehensive income		37	13
Total BBX Capital Corporation shareholders' equity		304,619	302,382

Noncontrolling interest	1,065	1,184
Total equity	305,684	303,566
Total liabilities and equity	$ 416,895	431,147

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except share and per share data)		For the Three Months Ended March 31, 2014	2013
Revenues:			
Sales	$	16,867	-
Interest income		1,776	3,045
Net (losses) gains on the sales of assets		(49)	2,062
Income from real estate operations		1,493	1,236
Other		1,041	492
Total revenues		21,128	6,835
Costs and expenses:			
Cost of goods sold		12,101	-
BB&T's priority return in FAR distributions		331	1,013
Interest expense		496	169
Real estate operating expenses		1,553	1,076
Selling, general and administrative expenses		11,507	8,185
Total costs and expenses		25,988	10,443
Equity earnings in Woodbridge Holdings, LLC		6,222	-
Recoveries from (provision for) loan losses		1,248	(759)
Asset impairments, net		(1,319)	(2,165)
Income (loss) from continuing operations before income taxes		1,291	(6,532)
Provision for income taxes		-	-
Net income (loss)		1,291	(6,532)
Less: net loss attributable to non-controlling interest		67	-
Net income (loss) attributable to BBX Capital Corporation	$	1,358	(6,532)
Basic earnings (loss) per share	$	0.08	(0.41)
Diluted earnings (loss) per share	$	0.08	(0.41)
Basic weighted average number of common shares outstanding		15,985,772	15,785,870
Diluted weighted average number of common and common equivalent shares outstanding		16,698,628	15,785,870

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) UNAUDITED

		For the Three Months Ended March 31,	
(In thousands, except share and per share data)		2014	2013
Net income (loss)	$	1,291	(6,532)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments, net of tax		30	-
Comprehensive income (loss)		1,321	(6,532)
Less: net loss attributable to non-controlling interest		67	-
Foreign currency translation adjustments attributable to non-controlling interest		(6)	-
Total comprehensive income (loss) attributable to BBX Capital Corporation	$	1,382	(6,532)

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 - UNAUDITED

(In thousands)		Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income	BBX Capital Corporation Equity	Non-Controlling Interest	Total Equity
BALANCE, DECEMBER 31, 2012	$	157	331,097	(90,930)	-	240,324	-	240,324
Net loss		-	-	(6,532)	-	(6,532)	-	(6,532)
Share based compensation expense		-	560	-	-	560	-	560
BALANCE, MARCH 31, 2013	$	157	331,657	(97,462)	-	234,352	-	234,352
BALANCE, DECEMBER 31, 2013	$	160	345,300	(43,091)	13	302,382	1,184	303,566
Net income		-	-	1,358	-	1,358	(67)	1,291
Noncontrolling interest distributions		-	-	-	-	-	(157)	(157)
Noncontrolling interest contributions		-	-	-	-	-	99	99
Other comprehensive income		-	-	-	24	24	6	30
Share based compensation expense		-	855	-	-	855	-	855
BALANCE, MARCH 31, 2014	$	160	346,155	(41,733)	37	304,619	1,065	305,684

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)		For the Three Months Ended March 31, 2014	2013
Net cash used in operating activities	$	(7,710)	(4,485)
Investing activities:			
Proceeds from redemption of tax certificates		321	812
Purchase of tax certificates		-	(31)
Net repayments of loans		5,605	30,789
Additions to real estate		(193)	-
Proceeds from sales of real estate		4,852	14,256
Proceeds from the contribution of real estate to unconsolidated real estate joint ventures		2,880	-
Purchases of office property and equipment		(14)	(27)
Investments in unconsolidated real estate joint ventures		(72)	(1,300)
Net cash outflow from acquisition		(1,900)	-
Net cash provided by investing activities		11,479	44,499
Financing activities:			
Repayment of notes payable		(267)	-
Repayments of notes payable to related parties		(250)	-
Proceeds from notes payable to related parties		600	-
Repayment of BB&T preferred interest in FAR, LLC		(14,013)	(32,807)
Noncontrolling interest contributions		99	-
Noncontrolling interest distributions		(157)	-
Net cash used in financing activities		(13,988)	(32,807)
(Decrease) increase in cash and cash equivalents		(10,219)	7,207
Cash and cash equivalents at the beginning of period		43,138	62,377
Cash and cash equivalents at end of period	$	32,919	69,584
Cash paid for:			
Interest paid	$	765	1,098
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to real estate held for investment or real estate held-for-sale		12,406	8,023
Real estate held-for-investment transferred to investment in real estate joint ventures		1,920	-
Change in accumulated other comprehensive income		30	-

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation (formerly BankAtlantic Bancorp, Inc.) together with its subsidiaries is referred to herein as “the Company”, “we”, “us,” or “our” and is referred to herein without its subsidiaries as the “Parent Company” or “BBX Capital”. BBX Capital was organized under the laws of the State of Florida in 1994. We are involved in the ownership, financing, acquisition, development and management of real estate and real estate related assets, and we are also involved in the investment in or acquisition of operating businesses.

In April 2013, BBX Capital acquired a 46% equity interest in Woodbridge Holdings, LLC (“Woodbridge”). Woodbridge’s principal asset is its ownership of Bluegreen Corporation and its subsidiaries (“Bluegreen”). Bluegreen is a vacation ownership company with over 60 owned or managed resorts and 225,000 owners of vacation ownership interests. BFC Financial Corporation (“BFC”), the controlling shareholder of the Company, owns the remaining 54% of Woodbridge (see Note 2 Investment in Woodbridge Holdings, LLC).

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

In December 2013, BBX Sweet Holdings, LLC (“BBX Sweet Holdings”), a wholly-owned subsidiary of BBX Capital, acquired the outstanding equity interest in Hoffman’s Chocolates and its subsidiaries Boca Bons, LLC and S&F Good Fortunes, LLC (collectively, “Hoffman’s”). Hoffman’s is a manufacturer of gourmet chocolates, with four retail locations in South Florida.

In January 2014, BBX Sweet Holdings acquired Williams & Bennett, a Florida based manufacturer of quality chocolate products. The fair value of the identifiable net assets acquired was $2.1 million which included $1.5 million of other intangible assets, $1.1 million of inventory and $0.7 million of liabilities assumed.

The Company has two classes of common stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC currently owns 100% of the Company’s Class B common stock and 51% of the Company’s outstanding Class A common stock resulting in BFC owning 52% of the Company’s aggregate outstanding common stock and 72% of the voting power of the Company’s common stock. The percentage of total common equity represented by Class A and Class B common stock was 99% and 1% at March 31, 2014, respectively. The fixed voting percentages will be eliminated, and shares of Class B common stock will be entitled to only one vote per share from and after the date that BFC or its affiliates no longer own in the aggregate at least 97,523 shares of Class B common stock (which is one-half of the number of shares it now owns). Class B common stock is convertible into Class A common stock on a share for share basis.

In May 2013, BBX Capital entered into a definitive merger agreement (the “Merger Agreement”) with BFC and BBX Merger Sub, LLC, a newly formed wholly owned subsidiary of BFC (“Merger Sub”). The Merger Agreement provides for BBX Capital to merge with and into Merger Sub (the “Merger”), with Merger Sub continuing as the surviving company of the Merger and a wholly owned subsidiary of BFC. Under the terms of the Merger Agreement, which was approved by a special committee comprised of the Company's independent directors (the "Special Committee") as well as the full boards of directors of both BFC and the Company, the Company's shareholders (other than BFC and shareholders of the Company who exercise and perfect their appraisal rights in accordance with Florida law) will be entitled to receive 5.39 shares of BFC's Class A Common Stock in exchange for each share of the Company's Class A Common Stock that they hold at the effective time of the Merger (as such exchange ratio may be adjusted in accordance with the terms of the Merger Agreement, the "Exchange Ratio"). Each option to acquire shares of the Company's Class A Common Stock that is outstanding at the effective time of the Merger, whether or not then exercisable, will be converted into an option to acquire shares of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares which may be acquired upon exercise of the option will be multiplied by the Exchange Ratio and the exercise price of the option will be divided by the Exchange Ratio. In addition, each share of the Company's Class A Common Stock subject to a restricted stock award outstanding at the effective time of the Merger will be converted into a restricted share of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares subject to the award will be multiplied by the Exchange Ratio. The Merger Agreement was approved by the Company's shareholders and by BFC's shareholders on April 29, 2014. Consummation of the Merger is subject to certain closing conditions, including, without limitation, BFC's Class A Common Stock being approved for listing on a national securities exchange (or interdealer quotation system of a registered national securities association) at the effective time of the Merger, holders of not more than 10% of the Company's Common Stock exercising appraisal rights, and the absence of any "Material Adverse Effect" (as defined in the Merger Agreement) with respect to either the Company or BFC.

BBX Capital's principal asset until July 31, 2012 was its ownership of BankAtlantic and its subsidiaries ("BankAtlantic"). BankAtlantic was a federal savings bank headquartered in Fort Lauderdale, Florida and provided traditional retail banking services and a wide range of commercial banking products and related financial services through a broad network of community branches located in Florida. On November 1, 2011, the Company entered into a definitive agreement to sell BankAtlantic to BB&T Corporation ("BB&T"), which agreement was amended on March 13, 2012 ("the Agreement"). On July 31, 2012, BBX Capital completed the sale to BB&T of all of the issued and outstanding shares of capital stock of BankAtlantic (the stock sale and related transactions described herein are collectively referred to as the "BB&T Transaction"). Pursuant to the terms of the Agreement, prior to the closing of the BB&T Transaction, BankAtlantic formed two wholly-owned subsidiaries, BBX Capital Asset Management, LLC ("CAM") and Florida Asset Resolution Group, LLC ("FAR"). BankAtlantic contributed to FAR certain performing and non-performing loans, tax certificates and real estate that had an aggregate carrying value on BankAtlantic's Balance Sheet of approximately $346 million as of July 31, 2012 (the date the BB&T Transaction was consummated). FAR assumed all liabilities related to these assets. BankAtlantic also contributed approximately $50 million in cash to FAR on July 31, 2012 and thereafter distributed all of the membership interests in FAR to the Company. At the closing of the BB&T Transaction, the Company transferred to BB&T 95% of the outstanding preferred membership interests in FAR in connection with BB&T's assumption of the Company's $285.4 million in principal amount of outstanding trust preferred securities ("TruPS") obligations, as described in further detail below. The Company continues to hold the remaining 5% of FAR's preferred membership interests. Under the terms of the Amended and Restated Limited Liability Company agreement of FAR, which was entered into by the Company and BB&T at the closing, BB&T will hold its 95% preferred interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum on any unpaid preference amount. At that time, BB&T's interest in FAR will terminate, and the Company will thereafter be entitled to any and all residual proceeds from FAR through its ownership of FAR's Class R units. It is expected that the assets (other than cash) contributed to FAR will be monetized over a period of seven years, or longer provided BB&T's preference amount is repaid within such seven-year period. The Company entered into an incremental $35 million guarantee in BB&T's favor to further assure BB&T's recovery of the $285 million preferred interest within seven years. BB&T's preferred interest in FAR as of March 31, 2014 had been reduced through cash distributions to $54.5 million.

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

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

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

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of the Company's consolidated financial condition at March 31, 2014, the consolidated results of operations and consolidated statement of comprehensive income for the three months ended March 31, 2014 and 2013, and the consolidated total equity and cash flows for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of results of operations that may be expected for the subsequent interim periods during 2014 or for the year ended December 31, 2014. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

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

The Company follows the equity method of accounting to record its investments in real estate joint ventures in which it has the ability to significantly influence the decisions of the joint venture and to record its investment in variable interest entities in which it is not the primary beneficiary. Under the equity method, an investment is shown on the Statement of Financial Condition of an investor as a single amount and an investor's share of earnings or losses from its investment is shown in the Statement of Operations as a single amount. The investment is initially measured at cost and adjusted for the investor's share of the earnings or losses of the investee as well as dividends received from the investee. The investor recognizes its share of the earnings or losses of the investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend.

Goodwill and other intangible assets consisted of $0.3 million of goodwill acquired in the Williams & Bennett acquisition, and $4.1 million of other identifiable intangible assets including trade names, customer relationships and lease premiums acquired in connection with the Renin Transaction and the Hoffman's and Williams & Bennett acquisitions.

Goodwill is recorded at the acquisition date of a business. Annually, goodwill is assessed for qualitative factors to determine whether it is necessary to perform a goodwill impairment test. Goodwill testing is a two-step process. The first step of the goodwill impairment test is used to identify potential impairment. This step compares the fair value of a reporting unit with its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not impaired and the second step of the impairment test is not necessary. If the fair value of the reporting unit is less than the carrying value, then the second step of the test is used to measure the amount of goodwill impairment, if any, in the reporting unit. This step compares the current implied goodwill in the reporting unit to its carrying amount. If the carrying amount of the goodwill exceeds the implied goodwill, impairment is recorded for the excess. The implied goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined.

The trade names, customer relationship and lease premium intangible assets were initially recorded at fair value and are amortized on a straight-line basis over their estimated useful lives which are generally twenty years for trade names, ten years for customer relationships and over the remaining lease term for lease premiums. Intangible assets are reviewed for impairment at least on an annual basis or at interim periods if events occur subsequent to the annual test date that would result in a decline in the fair value of the intangible assets. The impairment test compares the fair value of the intangible asset with the carrying value. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in the amount of the excess carrying amount.

New Accounting Pronouncements:

The FASB has issued the following accounting pronouncements and guidance relevant to the Company's operations:

Update Number 2014-08 – Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity - (Topic 360 and Topic 205). This update changes the criteria for reporting discontinued operations and requires additional disclosures about discontinued operations and the disposal of individually significant disposals that do not qualify for discontinued operations presentation in the financial statements. This update is effective for annual periods beginning after December 15, 2014 and interim periods within annual periods beginning on or after December 15, 2015. The adoption of this update is not currently expected to have a material effect on the Company's financial statements.

Update Number 2014-04 – Receivables - (Topic 310-40): Troubled Debt Restructurings by Creditors. This update provides guidance on when a creditor should derecognize a consumer mortgage loan and recognize a foreclosed asset upon taking physical possession of residential real property collateralizing a consumer mortgage loan. A creditor is considered to have received physical possession of residential real property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This update is effective for annual and interim periods beginning after December 15, 2014. The Company does not believe that this update will have a material impact on its financial statements.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

Liquidity Considerations

The Company's cash was $28.8 million at March 31, 2014. This does not include $2.5 million, $0.9 million and $0.7 million of cash held in FAR, Renin and BBX Sweet Holdings, respectively. The Company had $3.3 million of current liabilities as of March 31, 2014. The Company's principal source of liquidity is its cash holdings, funds obtained from payments on and sales of its loans, loan payoffs, sales of real estate, income from income producing real estate, and distributions received from FAR and Woodbridge. While FAR is consolidated in the Company's financial statements, the cash held in FAR and generated from its assets will be used primarily to pay FAR's operating expenses and to pay BB&T's 95% preferred membership interest and the related priority return and will generally not be available for distribution to the Company. The balance of BB&T's preferred membership interest in FAR was approximately $54.5 million at March 31, 2014. Based on current and expected liquidity needs and sources, the Company expects to be able to meet its liquidity needs over the next twelve months.

2. Investment in Woodbridge Holdings, LLC

On April 2, 2013, the Company invested $71.75 million in Woodbridge in exchange for a 46% equity interest in Woodbridge. The investment was made in connection with Woodbridge's acquisition on April 2, 2013 of the publicly held shares of Bluegreen. BFC holds the remaining 54% of Woodbridge's outstanding equity interests and is the managing member of Woodbridge. Since BFC is the majority owner of Woodbridge and the managing member, the Company's investment in Woodbridge is accounted for under the equity method. The Company's investment in Woodbridge consisted of $60.4 million in cash (including $0.4 million in transaction costs) and a promissory note in Woodbridge's favor in the principal amount of $11.75 million. In connection with the Company's investment in Woodbridge, the Company and BFC entered into an Amended and Restated Operating Agreement of Woodbridge, which sets forth the Company's and BFC's respective rights as members of Woodbridge and provides, among other things, for unanimity on certain specified "major decisions" and for distributions to be made on a pro rata basis in accordance with the Company's and BFC's percentage equity interests in Woodbridge.

The following are the adjustments to the investment in Woodbridge under the equity method for the three months ended March 31, 2014 (in thousands):

Investment in Woodbridge - December 31, 2013	$ 78,573
Equity earnings in Woodbridge	6,222
Dividends received from Woodbridge	-
Investment in Woodbridge - March 31, 2014	$ 84,795

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

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

	March 31, 2014	December 31, 2013
Assets		
Cash and restricted cash	$ 218,494	224,104
Notes receivable, net	442,906	467,319
Inventory of real estate	207,801	204,256
Intangible assets	64,084	64,142
Other assets	160,952	126,494
Total assets	$ 1,094,237	1,086,315
Liabilities and Equity		
Accounts payable, accrued liabilities and other	$ 117,189	116,956
Deferred tax liabilities, net	85,844	76,726
Notes payable	518,946	537,500
Junior subordinated debentures	148,072	147,431
Total liabilities	870,051	878,613
Total Woodbridge members' equity	183,507	169,981
Noncontrolling interest	40,679	37,721
Total equity	224,186	207,702
Total liabilities and equity	$ 1,094,237	1,086,315

The condensed Statement of Operations of Woodbridge Holdings, LLC for the three months ended March 31, 2014 is as follows (in thousands):

For the Three Months Ended

	March 31, 2014
Total revenues	$ 129,920
Total costs and expenses	104,933
Other income	688
Income from continuing operations before taxes	25,675
Provision for income taxes	9,145
Income from continuing operations	16,530
Loss from discontinued operations, net of tax	(46)
Net income	16,484
Net income attributable to noncontrolling interest	(2,958)
Net income attributable to Woodbridge	13,526
BBX Capital equity interest in Woodbridge	46%
Equity earnings in Woodbridge	$ 6,222

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

3. Consolidated Variable Interest Entities

FAR

In consideration for BB&T assuming BBX Capital’s $285.4 million in principal amount of TruPS in connection with the sale of BankAtlantic, BB&T received from BBX Capital at the closing of the BB&T Transaction a 95% preferred membership interest in the net cash flows of FAR (Class A Units in FAR) which it will hold until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum. At that time, BBT’s interest in FAR will terminate, and BBX Capital, which initially holds the remaining 5% of the Class A Units and 100% of the Class R units will thereafter be the sole member of FAR and be entitled to any and all residual proceeds. FAR’s assets were expected to be monetized over a period of seven years, or longer provided BB&T’s preference amount is repaid within such seven-year period. BBX Capital provided BB&T with an incremental $35 million guarantee to further support BB&T’s recovery within seven years of the $285 million preference amount. At March 31, 2014, BB&T’s preferred interest in FAR had been reduced to approximately $54.5 million.

BBX Capital’s variable interests in FAR include its 5% preferred membership interest in the cash flows of FAR, rights to all residual cash flows after satisfaction of the preferred membership interests, and the incremental $35 million guarantee issued to BB&T. CAM also services approximately $13.0 million of FAR commercial loans and has a right of first refusal to acquire certain FAR commercial loans. CAM is entitled to purchase certain commercial loans on a basis established in FAR’s operating agreement.

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

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

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

The activities of FAR are governed by an amended and restated limited liability agreement which grants the Board of Managers decision-making authority over FAR. The Board has four members, two members elected by the Company and two members elected by BB&T. The approval of an issue before the Board requires three of the members’ approval. Members designated by BB&T must resign from the Board upon the redemption of its preferred interest in FAR.

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

		March 31, 2014	December 31, 2013
Cash and interest bearing deposits in banks	$	2,454	8,388
Loans held for sale		50,716	53,846
Loans receivable, net		44,587	56,170
Real estate held-for-investment		24,821	15,509
Real estate held-for-sale		20,043	23,664
Properties and equipment, net		7,814	7,899
Other assets		2,096	2,413
Total assets	$	152,531	167,889
BB&T preferred interest in FAR, LLC	$	54,504	68,517
Other liabilities		12,000	12,343
Total liabilities	$	66,504	80,860

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

BBX Capital's maximum loss exposure in FAR if all of FAR's assets were deemed worthless would have been $121 million as of March 31, 2014, consisting of a loss of $86 million of net assets, and the $35 million incremental guarantee in favor of BB&T.

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

An indirect wholly-owned subsidiary of BBX Capital entered into the North Flagler joint venture with JRG USA, and in connection with the formation of the joint venture JRG USA assigned to the joint venture a contract to purchase for $10.8 million a 4.5 acre real estate parcel overlooking the Intracoastal Waterway in West Palm Beach Florida and we invested $0.5 million of cash. This joint venture is seeking to expand land entitlements and is currently working to amend the current zoning designation and increase the parcel's residential height restrictions with a view to increasing the value of the parcel. We are entitled to receive 80% of any joint venture distributions until we recover our capital investment and then will be entitled to receive 70% of any joint venture distributions thereafter. We are the managing member and have control of all aspects of the operations of the joint venture.

The Company analyzed North Flagler's operating agreement and determined that we are the primary beneficiary of the joint venture and therefore should consolidate North Flagler in our financial statements. This conclusion was based primarily on the determination that the Company absorbs 80% of the losses, is entitled to 70% of the profits and controls all aspects of North Flagler's operations.

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

		March 31, 2014	December 31, 2013
Cash and interest bearing deposits in banks	$	191	298
Real estate held-for-investment		427	327
Total assets	$	618	625
Other liabilities	$	(10)	(12)
Noncontrolling interest	$	(135)	(135)

BBX Capital’s maximum loss exposure in North Flagler if all of North Flagler’s assets were deemed worthless would have been $473,000 as of March 31, 2014.

4. Equity Investments in Unconsolidated Real Estate Joint Ventures

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

	March 31, 2014	December 31, 2013

Altis at Kendall Square, LLC	$ 1,300	1,300
New Urban/BBX Development, LLC	69	54
PGA Design Center Holdings, LLC	1,977	-
Total equity investments in unconsolidated real estate joint ventures	$ 3,346	1,354

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

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

The Company analyzed the amended and restated operating agreement of Kendall Commons and determined that we are not the primary beneficiary and therefore the investment in the real estate joint venture is accounted for under the equity method of accounting. This conclusion was based primarily on the determination that the Company only has limited protective rights under the operating agreement, is not the manager of the joint venture and the manager of the joint venture is entitled to 83% of the joint venture's distributions.

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

In December 2013, the Company entered into a joint venture agreement with New Urban Communities to develop 2 acres of vacant land located near downtown Fort Lauderdale, Florida as 30 single-family homes. The closing of the joint venture was subject to obtaining third party acquisition, development and construction financing. The Company and New

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Urban Communities each have a 50% membership interest in the joint venture and New Urban Communities serves as the developer and the manager. The Company's investment in the joint venture as of March 31, 2014 represented its share of joint venture expenses for surveying, zoning and architectural fees associated with the development of the project.

In April 2014, the joint venture executed an acquisition, development and construction loan with a financial institution and the Company and New Urban Communities each contributed $692,000 to the joint venture as a capital contribution. The joint venture purchased the two acre site from the Company for $3.6 million consisting of $1.8 million in cash (less $0.2 million in selling expenses) and a $1.6 million promissory note. The promissory note bears interest at 8% per annum and is subordinated to the financial institution acquisition, development and construction loan. The carrying value of the two acre parcel as of March 31, 2014 was $0.9 million.

The Company analyzed the Village at Victoria Park's operating agreement and determined that we are not the primary beneficiary and therefore the investment in the real estate joint venture will be accounted for under the equity method of accounting. This conclusion was based primarily on the determination that New Urban Communities has the power to direct activities of the joint venture that most significantly affect the joint venture's performance as it is the developer and manager of the project. Additionally, New Urban Communities also receives significant benefits from the joint venture in excess of its 50% membership interest in the form of development and administrative fees.

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

In December 2013, the Company purchased a commercial property with three existing buildings consisting of 145,000 square feet of mainly furniture retail space for $6.1 million. In January 2014, the Company entered into a joint venture with Stiles Development, in connection with the formation of the joint venture, the Company sold the commercial property to the joint venture in exchange for $2.9 million in cash and a 40% interest in the joint venture with a carrying amount of $1.9 million at March 31, 2014. The joint venture intends to seek governmental approvals to change the use of a portion of the property from retail to office and subsequently sell or lease the property. The property contributed to the joint venture excluded certain residential development entitlements valued at $1.2 million which were transferred to adjacent parcels owned by the Company.

The Company analyzed the PGA Design Center's operating agreement and determined that we are not the primary beneficiary and therefore the investment in the real estate joint venture was accounted for under the equity method of accounting. This conclusion was based primarily on the determination that Stiles Development has a 60% interest in the joint venture and is also the managing member. As such, Stiles Development is the joint venture member that has the majority of the power to direct the activities of the joint venture that most significantly impact its economic performance and through its 60% membership interest has the obligation to absorb the majority of the losses and the right to receive the majority of the benefits of the joint venture.

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5. Loans Held-for-Sale

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

		March 31, 2014	December 31, 2013
Residential	$	36,339	38,223
First-lien consumer		4,737	4,176
Small business		9,640	11,447
Total loans held-for-sale	$	50,716	53,846

Loans held-for-sale are reported at the lower of cost or fair value. The Company transfers loans to held-for-sale when, based on the current economic environment and related market conditions, it does not have the intent to hold those loans for the foreseeable future. The Company transfers loans previously held-for-sale to loans held-for-investment at the lower of cost or fair value on the transfer date. All loans held-for-sale at March 31, 2014 and December 31, 2013 were owned by FAR.

6. Loans Receivable

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

	March 31, 2014	December 31, 2013
Commercial non-real estate	$ 1,392	3,331
Commercial real estate	51,383	62,937
Consumer	8,386	8,618
Residential	-	53
Total gross loans	61,161	74,939
Adjustments:		
Premiums, discounts and net deferred fees	-	-
Allowance for loan losses	(1,588)	(2,713)
Loans receivable -- net	$ 59,573	72,226

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

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

Loan Class		March 31, 2014	December 31, 2013
Commercial non-real estate	$	1,392	3,331
Commercial real estate		33,506	45,540
Consumer		2,903	2,972
Residential		-	53
Total nonaccrual loans	$	37,801	51,896

An age analysis of the past due recorded investment in loans receivable as of March 31, 2014 and December 31, 2013 was as follows (in thousands):

March 31, 2014		31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$	-	-	330	330	1,062	1,392
Commercial real estate:		-	3,985	10,398	14,383	37,000	51,383
Consumer		227	227	2,379	2,833	5,553	8,386
Residential:		-	-	-	-	-	-
Total	$	227	4,212	13,107	17,546	43,615	61,161

December 31, 2013		31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$	-	-	2,269	2,269	1,062	3,331
Commercial real estate:		-	-	22,729	22,729	40,208	62,937
Consumer		317	293	2,480	3,090	5,528	8,618
Residential:		-	-	53	53	-	53

Total	$ 317	293	27,531	28,141	46,798	74,939

(1) The Company had no loans that were past due greater than 90 days and still accruing as of March 31, 2014 or December 31, 2013.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

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

	Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:						
Beginning balance	$ 954	227	-	1,532	-	2,713
Charge-off :	(1,939)	-	-	(78)	-	(2,017)
Recoveries :	14	1,666	107	311	42	2,140
Provision :	971	(1,780)	(107)	(290)	(42)	(1,248)
Ending balance	$ -	113	-	1,475	-	1,588
Ending balance individually evaluated for impairment	$ -	-	-	-	-	-
Ending balance collectively evaluated for impairment	-	113	-	1,475	-	1,588
Total	$ -	113	-	1,475	-	1,588
Loans receivable:						
Ending balance individually evaluated for impairment	$ 1,392	33,506	-	2,255	-	37,153
Ending balance collectively evaluated for impairment	$ -	17,877	-	6,131	-	24,008
Total	$ 1,392	51,383	-	8,386	-	61,161
Proceeds from loan sales	$ -	-	-	-	-	-
Transfer to loans held for sale	$ -	-	-	-	-	-
Transfer from loans held for sale	$ -	-	-	-	-	-

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

The activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2013 was as follows (in thousands):

		Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:							
Beginning balance	$	1,735	1,869	-	1,261	446	5,311
Charge-offs:		-	(1,179)	-	(376)	(389)	(1,944)
Recoveries :		171	277	74	458	143	1,123
Provision :		(710)	470	(74)	650	423	759
Ending balance	$	1,196	1,437	-	1,993	623	5,249
Ending balance individually evaluated for impairment	$	634	663	-	-	-	1,297
Ending balance collectively evaluated for impairment		562	774	-	1,993	623	3,952
Total	$	1,196	1,437	-	1,993	623	5,249
Loans receivable:							
Ending balance individually evaluated for impairment	$	3,362	157,144	-	7,501	41,198	209,205
Ending balance collectively evaluated for impairment	$	7,457	23,960	-	8,892	10,405	50,714
Total	$	10,819	181,104	-	16,393	51,603	259,919
Purchases of loans	$	-	-	-	-	-	-
Proceeds from loan sales	$	-	-	-	-	-	-
Transfer to loans held for sale	$	-	-	-	-	-	-
Transfer from loans held for sale	$	-	-	-	-	-	-

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

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

Impaired loans as of March 31, 2014 and December 31, 2013 were as follows (in thousands):

		As of March 31, 2014			As of December 31, 2013		
		Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:							
Commercial non-real estate	$	-	-	-	3,001	4,472	954
Commercial real estate:		-	-	-	-	-	-
Consumer		802	1,773	802	920	2,228	920
Residential:		-	-	-	-	-	-
Total with allowance recorded	$	802	1,773	802	3,921	6,700	1,874
With no related allowance recorded:							
Commercial non-real estate	$	1,392	5,100	-	330	634	-
Commercial real estate:		34,157	67,194	-	45,540	79,186	-
Consumer		6,825	8,689	-	7,165	8,730	-
Residential:		-	-	-	53	189	-
Total with no allowance recorded	$	42,374	80,983	-	53,088	88,739	-
Total:							
Commercial non-real estate	$	1,392	5,100	-	3,331	5,106	954
Commercial real estate		34,157	67,194	-	45,540	79,186	-
Consumer		7,627	10,462	802	8,085	10,958	920
Residential		-	-	-	53	189	-
Total	$	43,176	82,756	802	57,009	95,439	1,874

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Average recorded investment and interest income recognized on impaired loans as of March 31, 2014 and 2013 were (in thousands):

	For the Three Months Ended March 31, 2014		For the Three Months Ended March 31, 2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:				
Commercial non-real estate	$ -	-	3,032	60
Commercial real estate:	-	-	32,702	196
Consumer	811	-	152	-
Residential:	-	-	-	-
Total with allowance recorded	$ 811	-	35,886	256
With no related allowance recorded:				
Commercial non-real estate	$ 3,331	-	330	-
Commercial real estate:	34,207	197	124,054	693
Consumer	6,842	77	15,570	76
Residential:	-	-	44,922	96
Total with no allowance recorded	$ 44,380	274	184,876	865
Total:				
Commercial non-real estate	$ 3,331	-	3,362	60
Commercial real estate	34,207	199	156,756	889
Consumer	7,653	77	15,722	76
Residential	-	-	44,922	96
Total	$ 45,191	274	220,762	1,121

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

The Company monitors impaired collateral dependent loans and performs an impairment analysis on these loans quarterly. Generally, a full appraisal is obtained when a real estate loan is initially evaluated for impairment and an updated full appraisal is obtained within one year from the prior appraisal date, or earlier if management deems it appropriate based on significant changes in market conditions. In instances where a property is in the process of foreclosure, an updated appraisal may be postponed beyond one year, as an appraisal is required on the date of foreclosure; however, such loans remain subject to quarterly impairment analyses and adjustments. Included in total impaired loans as of March 31, 2014 were $28.9 million of collateral dependent loans, of which $25.0 million were measured for impairment using current appraisals and $3.9 million were measured by adjusting appraisals, as appropriate, to reflect changes in market conditions subsequent to the last appraisal date. Appraised value with respect to one loan which did not have a current appraisal was adjusted down by $0.8 million based on changes in market conditions.

The Company had no commitments to lend additional funds on impaired loans as of March 31, 2014.

Troubled Debt Restructured Loans

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

Consumer and residential troubled debt restructured loans had no financial statement effect because the affected loans were generally on non-accrual status and measured for impairment before the restructuring. The financial statement effects of commercial troubled debt restructured loans was the establishment of specific valuation allowances, if any, in place of the general allowance for those loans that had not already been placed on nonaccrual status. There was an impact to the allowance for loan losses associated with loans for which concessions were made, as the concessions generally resulted from the expectation of slower future cash flows.

There were no troubled debt restructurings during the three months ended March 31, 2014 and 2013. There were no loans modified in troubled debt restructurings beginning January 1, 2013 through March 31, 2014 that experienced a payment default during the three months ended March 31, 2014. There were no loans modified in troubled debt restructurings beginning January 1, 2012 through March 31, 2013 that experienced a payment default during the three months ended March 31, 2013.

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

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

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

		As of March 31, 2014	As of December 31, 2013
Land	$	21,101	18,268
Rental properties		6,123	6,168
Residential single-family		5,023	6,447

Other	1,197	3,088
Total held-for-sale	$ 33,444	33,971

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

	As of March 31, 2014	As of December 31, 2013
Land	$ 76,278	79,656
Rental properties	31,363	26,891
Other	789	789
Total held-for-investment	$ 108,430	107,336

The following table presents the activity in real estate held-for-sale and held-for-investment for the three months ended March 31, 2014 and 2013, respectively (in thousands):

	For the Three Months Ended March 31, 2014	
	Real Estate	
	Held-for-Sale	Held-for-Investment
As of December 31, 2013	$ 33,971	107,336
Acquired through foreclosure	849	11,562
Transfers	3,571	(3,571)
Purchases	-	-
Improvements	-	192
Accumulated depreciation	-	(103)
Sales	(4,810)	(4,800)
Impairments	(137)	(2,186)
As of March 31, 2014	$ 33,444	108,430

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	For the Three Months Ended March 31, 2013	
	Real Estate	
	Held-for-Sale	Held-for-Investment
As of December 31, 2012	$ 45,637	37,413
Acquired through foreclosure	6,128	1,890
Improvements	-	-
Sales	(11,724)	(465)
Impairments	(1,153)	(57)
As of March 31, 2013	$ 38,888	38,781

8. Inventories

Inventories were as follows (in thousands):

	As of March 31, 2014	As of December 31, 2013
Raw materials	$ 5,175	5,077
Work in process	64	379
Finished goods	4,975	3,699
Total	$ 10,214	9,155

Inventories are measured at the lower of cost, determined on a first-in, first-out basis, or market. Cost includes all costs of conversions, including materials, direct labor, production overhead and amortization of equipment. Raw materials are stated at the lower of cost, determined on a first-in, first-out basis, or market determined by reference to replacement cost. Raw materials are not written down unless the goods in which they are incorporated are expected to be sold for less than cost, in which case, they are written down by reference to replacement cost of the raw materials. Finished goods and work in process are stated at the lower of cost or market. Shipping and handling fees billed to the customers are recorded as sales. Included in the Company's Statement of Operations as selling, general, and administrative expenses for the three months ended March 31, 2014 were $1.5 million of costs associated with shipping goods to customers.

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9. Related Parties

The Company, BFC and Bluegreen are entities under common control. The controlling shareholder of the Company and Bluegreen is BFC. Shares of BFC's capital stock representing a majority of the voting power are owned or controlled by the Company's Chairman and Vice Chairman, both of whom are also executive officers of the Company, executive officers and directors of BFC and directors of Bluegreen. The Company, BFC and Bluegreen share certain office premises and employee services, pursuant to the agreements described below.

Effective December 1, 2012, the Company entered into an agreement with BFC under which the Company provides office facilities and is reimbursed by BFC based on cost. BFC also provides risk management services to the Company and BFC is reimbursed by the Company based on cost. The Company's employees are provided health insurance under policies maintained by Bluegreen for which Bluegreen is reimbursed at cost.

The table below shows the effect of these related party agreements and arrangements on the Company's consolidated statements of operations for the three months ended March 31, 2014 and 2013 (in thousands):

		For the Three Months Ended March 31,	
		2014	2013
Other revenues	$	115	108
Expenses:			
Employee compensation and benefits		(70)	(33)
Other - back-office support		(43)	(39)
Net effect of affiliate transactions before income taxes	$	2	36

On October 30, 2013, a newly formed joint venture entity owned 81% by the Company and 19% by BFC completed the Renin Transaction. Bluegreen funded approximately $9.4 million of the Renin Transaction consideration in the form of a loan and revolver facility and the remaining funds necessary to complete the Renin Transaction were funded by BBX Capital and BFC pro rata in accordance with their percentage equity interests. The Bluegreen loan had an outstanding balance of $10.3 million and $9.7 million as of March 31, 2014 and December 31, 2013, respectively, and Renin recognized $181,000 of interest expense under the Bluegreen loan for the three months ended March 31, 2014.

As disclosed in Note 3, on April 2, 2013, the Company invested $71.75 million in Woodbridge in exchange for a 46% equity interest in Woodbridge. The investment was made in connection with Woodbridge's acquisition of the publicly held shares of Bluegreen. BFC holds the remaining 54% of Woodbridge. The Company contributed $60 million in cash and issued to Woodbridge an $11.75 million note payable in connection with the Company's acquisition of its 46% equity interest in Woodbridge. During the three months ended March 31, 2014, the Company recognized $147,000 of interest expense in connection with the Woodbridge note payable.

10. Segment Reporting

The information provided for Segment Reporting is based on internal reports utilized by management. Results of continuing operations are reported through three reportable segments: BBX, FAR and Renin. The BBX reportable segment includes the results of operations of CAM and BBX Partners for the three months ended March 31, 2014 and 2013. BBX's activities consisted of the activities associated with managing its commercial loan portfolio, real estate properties, and portfolio of charged off loans as well as its investment in Woodbridge and investments in real estate joint ventures.

The FAR reportable segment consists of the activities associated with overseeing the management and monetization of its assets with a view to the repayment of BB&T's preferred interest and maximizing the cash flows of any remaining assets.

The Renin reportable segment consists of the activities of Renin Holdings, LLC and its subsidiaries ("Renin"). Renin manufactures interior closet doors, wall décor, hardware and fabricated glass products and its distribution channels include big box and independent home improvement retailers, builders, other manufacturers and specialty retail outlets primarily in North America. Renin is headquartered in Brampton, Ontario and has three manufacturing, assembly and distribution facilities located in Brampton and Concord, Ontario, Tupelo, Mississippi and a sales and distribution office in the U.K. Renin was acquired in October 2013; therefore, the Renin reportable segment includes the results of operations of Renin for the three months ended March 31, 2014.

The other column represents the activities of Hoffman's and Williams & Bennett. The amounts are displayed in order to reconcile the reportable segments to the financial statements.

The accounting policies of the segments are generally the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation.

Depreciation and amortization consist of: depreciation on properties and equipment, amortization of leasehold improvements, and deferred rent.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

The Company evaluates segment performance based on segment net income after tax. The table below provides segment information for the three months ended March 31, 2014 and 2013 (in thousands):

Adjusting and
Elimination