

BBX CAPITAL CORP  
Form 10-Q  
November 08, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

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

Commission files number 001-13133

BBX CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Florida

65-0507804

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)  
33301

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401 East Las Olas Boulevard Suite 800 (Zip Code)

Fort Lauderdale, Florida

(Address of principal executive offices)

(954) 940-4000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

Large accelerated filer ☐ Accelerated filer ☐  
Non-accelerated filer ☐ Smaller reporting company ☒

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

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

Title of Each Class	Outstanding at November 3, 2016
Class A Common Stock, par value \$0.01 per share	16,483,866

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Class B Common Stock, par value \$0.01 per share	195,045
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## BBX CAPITAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION-UNAUDITED

(In thousands, except share data)	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 120,266	69,040
Restricted cash and time deposits	350	2,651
Loans held-for-sale	-	21,354
Loans receivable, net	28,616	34,035
Trade receivables, net of allowance for bad debts of \$190 in 2016 and \$404 in 2015	14,823	13,732
Real estate held-for-investment	21,720	31,290
Real estate held-for-sale	35,729	46,338
Investments in unconsolidated real estate joint ventures	43,318	42,962
Investment in Woodbridge Holdings, LLC	78,152	75,545
Properties and equipment	24,523	18,083
Inventories	18,189	16,347
Goodwill	7,601	7,601
Other intangible assets	7,823	8,211
Other assets	6,102	6,316
Total assets	\$ 407,212	393,505
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 9,739	11,059
Notes payable, net of debt issuance costs	15,547	21,385
Principal and interest advances on residential loans	8,255	10,356
Other liabilities	15,716	14,726
Total liabilities	49,257	57,526
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued and outstanding	-	-
Class A common stock, \$.01 par value, authorized 25,000,000 shares; issued and outstanding 16,422,743 and 16,199,145 shares	164	162
Class B common stock, \$.01 par value, authorized 1,800,000 shares; issued and outstanding 195,045 and 195,045 shares	2	2
Additional paid-in capital	352,584	350,878
Accumulated earnings (deficit)	2,578	(16,622)
Accumulated other comprehensive income	737	384
Total BBX Capital Corporation shareholders' equity	356,065	334,804
Noncontrolling interest	1,890	1,175
Total equity	357,955	335,979
Total liabilities and equity	\$ 407,212	393,505

See Notes to Condensed Consolidated Financial Statements - Unaudited

## BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME -  
UNAUDITED

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(In thousands)	2016	2015	2016	2015
Revenues:				
Trade sales	\$ 22,078	21,537	64,290	60,655
Interest income	1,321	2,720	3,301	5,628
Net gains (losses) on the sales of assets	5,034	(145)	5,326	15,296
Income from real estate operations	312	851	2,278	2,790
Other	959	572	2,220	1,490
Total revenues	29,704	25,535	77,415	85,859
Costs and expenses:				
Cost of goods sold	16,674	16,186	50,680	44,216
Interest expense	(128)	5	-	193
Real estate operating expenses	484	1,003	2,323	3,048
Recoveries from loan losses, net	(10,944)	(4,427)	(18,979)	(14,856)
Asset (recoveries) impairments, net	(30)	274	1,692	(1,599)
Selling, general and administrative expenses	16,837	19,398	50,699	49,424
Total costs and expenses	22,893	32,439	86,415	80,426
Equity in earnings of Woodbridge Holdings, LLC	10,307	10,306	22,101	5,941
Equity in net earnings (losses) of unconsolidated real estate joint ventures	4,480	(158)	5,793	(753)
Foreign exchange gain (loss)	5	(236)	325	(635)
Income before income taxes	21,603	3,008	19,219	9,986
Provision (benefit) for income taxes	5	(31)	5	(250)
Net income	21,598	3,039	19,214	10,236
Net loss (earnings) attributable to noncontrolling interest	101	77	(14)	(1,948)
Net income attributable to BBX Capital Corporation	\$ 21,699	3,116	19,200	8,288
Basic earnings per share	\$ 1.32	0.19	1.17	0.51
Diluted earnings per share	\$ 1.26	0.18	1.12	0.50



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Basic weighted average number of common shares outstanding	16,397	16,175	16,395	16,173
Diluted weighted average number of common and common equivalent shares outstanding	17,270	16,852	17,067	16,692
Net income	\$ 21,598	3,039	19,214	10,236
Other comprehensive income, net of tax				
Foreign currency translation adjustments	568	121	378	220
Unrealized (losses) gains on securities available for sale	(9)	-	47	-
Other comprehensive income, net of tax	559	121	425	220
Comprehensive income	22,157	3,160	19,639	10,456
Net losses (earnings) attributable to noncontrolling interest	101	77	(14)	(1,948)
Foreign currency translation adjustments attributable to noncontrolling interest	108	(23)	72	(42)
Total comprehensive income attributable to BBX Capital Corporation	\$ 22,366	3,214	19,697	8,466

See Notes to Condensed Consolidated Financial Statements - Unaudited

## BBX CAPITAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF TOTAL EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 - UNAUDITED

(In thousands)	Shares of Class A Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income	BBX Capital Corporation Equity	Non- Controlling Interest	Total Equity
Balance, December 31, 2014	15,977	\$ 162	347,937	(38,396)	85	309,788	1,492	311,280
Net income	-	-	-	8,288	-	8,288	1,948	10,236
Other comprehensive income	-	-	-	-	178	178	42	220
Noncontrolling interest contributions	-	-	-	-	-	-	(2,268)	(2,268)
Repurchase and retirement of Class A common shares (160)		(2)	(2,527)	-	-	(2,529)	-	(2,529)
Share based compensation expense	382	4	3,827	-	-	3,831	-	3,831
Balance, September 30, 2015	16,199	\$ 164	349,237	(30,108)	263	319,556	1,214	320,770
Balance, December 31, 2015	16,199	\$ 164	350,878	(16,622)	384	334,804	1,175	335,979
Net income	-	-	-	19,200	-	19,200	14	19,214
Other comprehensive income	-	-	-	-	353	353	72	425

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Noncontrolling interest contributions	-	-	-	-	-	-	664	664
Transfer of interest in subsidiary	-	-	35	-	-	35	(35)	-
Repurchase and retirement of Class A common shares (158)		(2)	(3,246)		-	(3,248)	-	(3,248)
Share based compensation expense	382	4	4,917	-	-	4,921	-	4,921
Balance, September 30, 2016	16,423	\$ 166	352,584	2,578	737	356,065	1,890	357,955

See Notes to Condensed Consolidated Financial Statements - Unaudited

## BBX CAPITAL CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	For the Nine Months Ended September 30,	
(In thousands)	2016	2015
Net cash used in operating activities	\$ (5,666)	(13,211)
Investing activities:		
Proceeds from redemptions and maturities of tax certificates	347	188
Decrease (increase) in restricted cash and time deposits	1,306	(2,649)
Investments in securities	(571)	-
Net repayments of loans receivable	42,025	27,035
Proceeds from the sale of loans receivable	-	89
Additions to real estate held-for-investment	(2,042)	(15,692)
Additions to real estate held-for-sale	(277)	-
Purchases of real estate held-for-sale	-	(10,667)
Proceeds from sales of real estate held-for-sale	20,788	35,770
Purchases of properties and equipment	(1,916)	(2,292)
Proceeds from sales of properties and equipment	-	314
Investment in unconsolidated real estate joint ventures	(2,353)	(2,690)
Investment in Woodbridge Holdings, LLC	-	(11,385)
Return of Woodbridge Holdings, LLC investment	-	14,781
Return of unconsolidated real estate joint ventures investment	4,388	-
Increase in other intangible assets	(540)	-
Acquisitions of businesses, net of cash acquired	-	(10)
Net cash provided by investing activities	61,155	32,792
Financing activities:		
Repayment of BB&T preferred interest in FAR, LLC	-	(12,348)
Proceeds from notes payable	327	4,997
Repayment of notes payable to related parties	-	(11,750)
Repayment of notes payable	(5,254)	(1,112)
Payments for debt issuance costs	-	(48)
Noncontrolling interest contributions	664	-
Noncontrolling interest distributions	-	(2,268)
Net cash used in financing activities	(4,263)	(22,529)
Increase (decrease) in cash and cash equivalents	51,226	(2,948)
Cash and cash equivalents at the beginning of period	69,040	58,819
Cash and cash equivalents at the end of period	\$ 120,266	55,871
Cash paid for:		
Interest on borrowings	\$ 365	915
Income taxes payments, net	-	49
Supplementary disclosure of non-cash investing and financing activities:		

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Retirement of Class A Common Stock in connection with share based compensation withholding tax obligation	3,248	2,529
Loans receivable transferred to real estate held-for-sale or real estate held-for-investment	4,612	2,987
Change in accumulated other comprehensive income	425	220
Transfer of real estate-held-for-investment to real estate-held-for-sale	11,582	38,707
Transfer of real estate-held-for-sale to properties and equipment	6,557	-
Transfer of loans held-for-sale to loans receivable, net	16,078	7,365
Repayment of note payable with restricted time deposit	995	-
Fair value of net assets acquired in connection with business acquisitions	-	1,683
Issuance of notes payable to acquire businesses	-	(1,389)

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. Presentation of Interim Financial Statements

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

In April 2013, BBX Capital acquired a 46% equity interest in Woodbridge. Woodbridge’s principal asset is its ownership of Bluegreen Corporation and its subsidiaries (“Bluegreen”). Bluegreen manages, markets and sells the Bluegreen Vacation Club, a points-based, deeded vacation ownership plan with more than 190,000 owners. BFC Financial Corporation (“BFC”), the controlling shareholder of BBX Capital, owns the remaining 54% of Woodbridge (see Note 2 - Investment in Woodbridge Holdings, LLC).

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

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

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

In September 2016, BBX Capital entered into an area development agreement with MOD Super Fast Pizza, LLC with a goal of opening 50 MOD Super Fast Pizza franchise locations throughout Florida over the next seven years.

BBX Capital has two classes of common stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. The percentage of

total common equity represented by Class A and Class B common stock was 99% and 1%, respectively, at September 30, 2016. The fixed voting percentages will be eliminated, and shares of Class B common stock will be entitled to only one vote per share from and after the date that BFC or its affiliates no longer own in the aggregate at least 97,523 shares of Class B common stock (which is one-half of the number of shares it now owns). Class B common stock is convertible into Class A common stock on a share for share basis at any time at BFC's discretion.

On September 30, 2016, 381,622 shares of restricted Class A common stock units granted to executive officers in September 2012 and September 2014 vested. BBX Capital repurchased and retired an aggregate of 158,024 shares of the executive officers' Class A common stock to satisfy the \$3.2 million withholding tax obligations associated with the vesting of these shares. Between October 1, 2016 and October 5, 2016 104,872 shares of restricted Class A common stock units granted to executive officers in September 2015 vested. BBX Capital repurchased and retired an aggregate of 43,749 shares of the executive officers' Class A common stock to satisfy the \$0.9 million withholding tax obligations associated with the vesting of these shares.

BBX Capital entered into a definitive merger agreement (the "Merger Agreement") with BFC and BBX Merger Subsidiary LLC, a newly formed wholly owned subsidiary of BFC ("Merger Sub") on July 27, 2016 and amended on October 20, 2016. The Merger Agreement provides for BBX Capital Corporation to merge with and into Merger Sub (the "Merger"), with Merger Sub continuing as the surviving company of the Merger and a wholly owned subsidiary of BFC. Under the terms of the Merger Agreement, which has been approved by a special committee comprised of BBX Capital Corporation's independent directors as well as the full boards of directors of both BFC and BBX Capital Corporation, each share of BBX Capital's Class A Common Stock outstanding immediately prior to the effective time of the Merger (other than shares of BBX Capital's Class A Common Stock held by BFC and shares of BBX Capital's Class A Common Stock as

## BBX CAPITAL CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

to which appraisal rights are exercised and perfected in accordance with Florida law) will be converted into the right to receive, at the election of the holder, 5.4 shares of BFC's Class A Common Stock or \$20.00 in cash for each share of BBX Class A Common Stock held by them. BBX Capital's shareholders will have the right to elect to receive all cash, all stock, or a combination of cash and stock in exchange for their shares. Each option to acquire shares of BBX Capital'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 of 5.4 shares of BFC's Class A Common Stock for each share of BBX Capital's Class A Common Stock subject to the option and the exercise price of the option will be divided by 5.4. In addition, each share of BBX Capital'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 of 5.4 shares of BFC's Class A Common Stock for each share of BBX Capital's Class A Common Stock subject to the award. Consummation of the Merger is subject to certain closing conditions, including, without limitation, (i) the approval of the Merger Agreement by (a) holders of shares of BBX Capital's Class A Common Stock and Class B Common Stock representing a majority of the votes entitled to be cast on the Merger Agreement, and (b) holders of a majority of the shares of BBX Capital's Class A Common Stock voted on the Merger Agreement other than shares held by BFC and its affiliates and (ii) unless waived by BFC and BBX Capital, any litigation or threatened litigation against BFC or BBX Capital Corporation or their affiliates relating to the Merger shall be resolved to the satisfaction of BFC and BBX Capital Corporation or the holders of at least 2,250,000 shares of BBX Capital's Class A Common Stock shall execute a waiver and release irrevocably waiving the right to participate in, or receive any proceeds from, any shareholder class action lawsuit relating to the Merger and releasing BFC, BBX Capital and their affiliates from any claims arising out of the Merger Agreement other than with respect to appraisal rights or the right to receive the Merger consideration. Pursuant to the Merger Agreement, BFC has agreed to vote all of BBX Capital's Class A Common Stock and Class B Common Stock owned by it in favor of the Merger Agreement. Accordingly, approval of the Merger Agreement with respect to the combined vote of the holders of BBX Capital's Class A Common Stock and Class B Common Stock described under clause (i)(a) above is assured. There is no assurance that the approval of the unaffiliated shareholders will be received. The Merger is also conditioned, unless waived, on holders of not more than 150,000 shares of BBX Capital's Class A Common Stock exercising appraisal rights and the absence of any "Material Adverse Effect" (as defined in the Merger Agreement) with respect to either BFC or BBX Capital. The Merger is not subject to a financing condition. There is no assurance that the conditions to completing the Merger will be satisfied or waived, or that the Merger will be otherwise consummated in the anticipated time frame, on the proposed terms, or at all.

A lawsuit seeking to establish a class of BBX Capital's shareholders and challenging the Merger is pending in the 17th Judicial Circuit in and for Broward County, Florida. The lawsuit alleges, among other things, that the proposed Merger consideration undervalues BBX Capital and is unfair to BBX Capital's public shareholders and that BBX Capital's directors and BFC breached certain fiduciary duties to BBX Capital's public shareholders. The lawsuit seeks to enjoin the Merger or, if it is completed, to rescind the Merger or recover relief as determined by the court. BFC and BBX Capital believe that the lawsuit is without merit and intend to vigorously defend the action. See Note 10 and "Part II, Item 1 – Legal Proceedings" of this report for additional information regarding this lawsuit. BFC and BBX Capital have also received letters threatening additional litigation relating to the Merger.



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

The accompanying unaudited condensed consolidated financial statements of BBX Capital have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In management's opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of BBX Capital's condensed consolidated statement of financial condition at September 30, 2016, the condensed consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015, and the condensed consolidated statements of total equity and statements of cash flows for the nine months ended September 30, 2016 and 2015. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of results of operations that may be expected for the subsequent interim period during 2016 or for the year ended December 31, 2016. The condensed consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Basic earnings per share excludes dilution and is computed by dividing net income attributable to BBX Capital by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

dilution that could occur if options to issue common shares were exercised or restricted stock units of BBX Capital were to vest. In calculating diluted earnings per share, net income attributable to BBX Capital is divided by the weighted average number of common shares. Options and restricted stock units are included in the weighted average number of common shares outstanding based on the treasury stock method, if dilutive. During the three and nine months ended September 30, 2016, options to acquire 6,614 shares of Class A common stock were anti-dilutive and excluded from diluted earnings per share. During the three and nine months ended September 30, 2015, options to acquire 10,323 shares of Class A common stock were anti-dilutive and excluded from diluted earnings per share.

Recently Adopted Accounting Pronouncements

As of January 1, 2016, BBX Capital adopted Accounting Standards Update (“ASU”) Number 2015-03 — Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as amended by ASU 2015-15. ASU 2015-03 requires debt issuance costs related to recognized debt liabilities to be presented in the statement of financial condition as a direct deduction from the debt liability rather than an asset. However, ASU 2015-03 also permits presentation of debt issuance costs on line-of-credit arrangements as assets. Accordingly, as of September 30, 2016, approximately \$23,000 of deferred debt issuance costs was presented as a direct deduction within Notes Payable on BBX Capital's Condensed Consolidated Statement of Financial Condition. Additionally, BBX Capital reclassified \$36,000 of deferred debt issuance costs from Other Assets to Notes Payable as of December 31, 2015. Debt issuance costs for line-of-credit arrangements of \$257,000 and \$306,000 were included in other assets in BBX Capital's Condensed Consolidated Statement of Financial Condition as of September 30, 2016 and December 31, 2015, respectively.

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

New Accounting Pronouncements:

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

Accounting Standards Update (ASU) No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This ASU presents guidance on the classification of certain cash receipts and payments with the objective of reducing the existing diversity in current practice. The guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted in any interim or annual period. BBX Capital is currently evaluating the requirements of this update and has not yet determined its impact on BBX Capital's consolidated financial statements.

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

Accounting Standards Update (ASU) No. 2016-09 – Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting. This update simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements including income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The amendments in this update are effective for annual reporting periods beginning after December 15, 2016 and interim periods within the reporting period. Early adoption is permitted in any interim or annual period. The adoption of this update is not expected to have a material impact on BBX Capital's consolidated financial statements.

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

Accounting Standards Update (ASU) No. 2016-07 — Investments – Equity Method and Joint Ventures (Topic 323) – Simplifying the Transition to the Equity Method of Accounting. This update eliminates retroactive adjustments for an investment that qualifies for the use of the equity method as a result of an increase in the level of ownership interest associated with an existing investment. The amendment requires that the equity method investor add the cost of acquiring the additional interest to the current investment and adopt the equity method on the date that the investment becomes qualified for equity method accounting. The amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The adoption of this update is not expected to have a material impact on BBX Capital's consolidated financial statements.

Accounting Standards Update (ASU) No. 2014-09 – Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This guidance is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach. It also requires disclosures designed to enable readers of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Further, in March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net), in April and May 2016, the FASB issued ASU 2016-10 and 2016-12, respectively, Revenue from Contracts with Customers (Topic 606) and also in May 2016 the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivative and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-19. These updates clarify implementation guidance on the related topic. The accounting guidance updates will replace most existing revenue recognition guidance in GAAP. The standard is effective for annual and interim reporting periods beginning after December 15, 2017. Earlier adoption is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. BBX Capital is currently evaluating the requirements of these updates and has not yet determined their impact on its consolidated financial statements.

2. Investment in Woodbridge Holdings, LLC

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

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

	For the Three Months Ended September 30, 2016		For the Nine Months Ended September 30, 2016	
	2016	2015	2016	2015
Investment in Woodbridge - beginning of period	\$ 76,631	62,496	75,545	73,026
Additional investment in Woodbridge	-	11,385	-	11,385
Equity in earnings of Woodbridge	10,307	10,306	22,101	5,941
Dividends received from Woodbridge	(8,786)	(14,557)	(19,494)	(20,722)
Investment in Woodbridge - end of period	\$ 78,152	69,630	78,152	69,630

## BBX CAPITAL CORPORATION AND SUBSIDIARIES

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

	As of September 30, 2016	December 31, 2015
Assets		
Cash and restricted cash	\$ 182,831	172,758
Notes receivable, net	424,533	415,598
Notes receivable from related parties	80,000	80,000
Inventory of real estate	227,688	220,211
Properties and equipment, net	71,815	71,937
Intangible assets, net	61,806	61,977
Other assets	66,976	61,794
Total assets	\$ 1,115,649	1,084,275
Liabilities and Equity		
Accounts payable, accrued liabilities and other	\$ 123,679	113,473
Deferred tax liabilities, net	140,261	110,202
Notes payable	488,245	503,521
Junior subordinated debentures	151,976	150,485
Total liabilities	904,161	877,681
Total Woodbridge members' equity	169,063	163,397
Noncontrolling interest	42,425	43,197
Total equity	211,488	206,594
Total liabilities and equity	\$ 1,115,649	1,084,275

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Total revenues	\$ 180,633	175,861	495,724	458,365
Total costs and expenses	143,009	135,766	411,703	405,811
Other income	926	1,089	1,075	3,278
Income before taxes	38,550	41,184	85,096	55,832
Provision for income taxes	14,369	15,048	30,473	33,575
Net income	24,181	26,136	54,623	22,257
Net income attributable to noncontrolling interest	(1,775)	(3,732)	(6,578)	(9,343)
Net income attributable to Woodbridge	22,406	22,404	48,045	12,914
BBX Capital 46% equity in earnings of Woodbridge	\$ 10,307	10,306	22,101	5,941

BBX CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

3. Investments in Unconsolidated Real Estate Joint Ventures