

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2017

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number  
001-09071

**BBX Capital Corporation**

(Exact name of registrant as specified in its charter)

<u>Florida</u> (State or other jurisdiction of incorporation or organization)	<u>59-2022148</u> (I.R.S Employer Identification No.)
<u>401 East Las Olas Boulevard, Suite 800 Fort Lauderdale, Florida</u> (Address of principal executive office)	<u>33301</u> (Zip Code)
<u>(954) 940-4900</u> (Registrant's telephone number, including area code)	

**Securities registered pursuant to Section 12(b) of the Act:**  
None.

**Securities registered pursuant to Section 12(g) of the Act:**

Class A Common Stock, \$.01 par Value

Class B Common Stock, \$.01 par Value

Preferred Share Purchase Rights  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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

Indicate by check mark whether the registrant 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [  ]          Accelerated filer [X]          Non-accelerated filer [  ]          Smaller reporting company [  ]  
Emerging growth company [  ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [  ]

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

On June 30, 2017, the aggregate market value of the registrant’s voting common equity held by non-affiliates was \$389.6 million computed by reference to the closing price of the registrant’s Class A Common Stock and Class B Common Stock on such date. The registrant does not have any non-voting common equity.

The number of shares outstanding of each of the registrant’s classes of common stock as of March 5, 2018 is as follows:

Class A Common Stock of \$.01 par value, 85,709,163 shares outstanding.  
Class B Common Stock of \$.01 par value, 17,984,221 shares outstanding.

#### **Documents Incorporated by Reference**

Portions of the registrant’s Definitive Proxy Statement on Schedule 14A relating to the registrant’s 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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**BBX Capital Corporation**  
**Annual Report on Form 10-K for the Year Ended December 31, 2017**

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## PART I

### Item 1. BUSINESS

#### Overview

##### *History*

BBX Capital Corporation (referred to in this report together with its subsidiaries as the “Company,” “we,” “us,” or “our,” and without its subsidiaries as “BBX Capital”) is a Florida-based diversified holding company with investments in Bluegreen Vacations Corporation (“Bluegreen Vacations” or “Bluegreen”), real estate and real estate joint ventures, and middle market operating businesses.

In July 2017, the Company’s Class A Common Stock began trading on the New York Stock Exchange (“NYSE”) under the ticker symbol “BBX.” Upon commencement of trading on the NYSE, the Company’s Class A Common Stock ceased trading on the OTCQX Best Market. The Company’s Class B Common Stock continues to trade on the OTCQX under the ticker symbol “BBXTB.”

On December 15, 2016, the Company completed the acquisition of all the outstanding shares of the former BBX Capital Corporation (“BCC”) not previously owned by the Company, and following the transaction, the Company changed its name from BFC Financial Corporation to BBX Capital Corporation. The acquisition was consummated by the merger of BCC into a wholly-owned subsidiary of the Company, BBX Merger Sub, LLC. As a consequence of the merger, BCC is now a wholly-owned subsidiary of BBX Capital. The merger is described in further detail in Item 8 – Note 3 of this report.

Prior to the acquisition of all the outstanding shares of BCC, the Company had an 82% equity interest in BCC and a direct 54% equity interest in Woodbridge Holdings, LLC (“Woodbridge”), the parent company of Bluegreen, and BCC held the remaining 46% interest in Woodbridge. As a result of the acquisition of all the outstanding shares of BCC in December 2016, Woodbridge and Bluegreen became wholly-owned subsidiaries of the Company. On November 17, 2017, Bluegreen completed an initial public offering (“IPO”) of its common stock by selling to the public 3,736,723 of Bluegreen shares and Woodbridge selling 2,761,925 of Bluegreen shares as a selling shareholder. In connection with the offering, Woodbridge granted the underwriters a 30-day option to purchase up to an additional 974,797 shares from Woodbridge, and on December 5, 2017, the underwriters purchased all of the additional 974,797 option shares from Woodbridge. As a result of Bluegreen’s IPO, BBX Capital currently owns approximately 90% of Bluegreen through Woodbridge.

BCC’s principal asset until July 31, 2012 was its ownership of BankAtlantic and its subsidiaries (“BankAtlantic”). BankAtlantic was a federal savings bank headquartered in Fort Lauderdale, Florida. On July 31, 2012, BCC completed the sale to BB&T Corporation (“BB&T”) of all of the issued and outstanding shares of capital stock of BankAtlantic (the stock sale and related transactions described herein are collectively referred to as the “BankAtlantic Sale”). Prior to the closing of the BankAtlantic Sale, BankAtlantic formed two subsidiaries, BBX Capital Asset Management, LLC (“CAM”) and Florida Asset Resolution Group, LLC (“FAR”) and transferred certain non-performing commercial loans, commercial real estate and previously written-off assets to these subsidiaries. The subsidiaries were transferred to BCC prior to the closing of the BankAtlantic Sale.

##### *Operating Divisions*

BBX Capital currently operates through the following divisions:

- **Bluegreen Vacations:** Founded in 1966 and headquartered in Boca Raton, Florida, Bluegreen is a leading vacation ownership company that markets and sells vacation ownership interests (“VOIs”) and manages resorts in top leisure and urban destinations. Bluegreen’s resort network includes 43 Club Resorts (resorts in which owners in its Vacation Club have the right to use most of the units in connection with their VOI ownership) and 24 Club Associate Resorts (resorts in which owners in its Vacation Club have the right to use a limited number of units in connection with their VOI ownership). Bluegreen’s Club Resorts and Club Associate Resorts are primarily located in popular, high-volume, “drive-to” vacation locations, including Orlando, Las Vegas,

Myrtle Beach and Charleston, among others. Through its points-based system, the approximately 213,000 owners in its Vacation Club have the flexibility to stay at units available at any of its resorts and have access to almost 11,000 other hotels and resorts through partnerships and exchange networks. Bluegreen has a robust sales and marketing platform supported by exclusive marketing relationships with nationally-recognized consumer brands, such as Bass Pro and Choice Hotels. These marketing relationships drive sales within its core demographic. Bluegreen also offers a portfolio of fee-based resort management, financial services, and sales and marketing on behalf of third parties. Bluegreen had total assets of \$1.2 billion as of December 31, 2017.

- **BBX Capital Real Estate:** BBX Capital Real Estate’s activities include the acquisition, development, ownership, and management of real estate and investments in real estate joint ventures. BBX Capital Real Estate had approximately \$162 million of assets as of December 31, 2017, including investments, directly and indirectly through joint ventures, in rental apartment communities, single-family housing communities, and commercial properties located primarily in Florida.

- **Middle Market:** The Middle Market Division’s activities include investments in operating companies and businesses in diverse industries with revenues between \$5 million and \$100 million. The Middle Market Division had total assets of approximately \$144.6 million as of December 31, 2017. The Middle Market Division is currently comprised of the following portfolio companies:

- o Renin Holdings LLC (“Renin”) is engaged in the design, manufacture, and distribution of products for the home improvement industry, including specialty doors, systems and hardware, and home décor products, and operates through its headquarters in Canada and two manufacturing and distribution facilities in the United States and Canada.
- o BBX Sweet Holdings, LLC (“BBX Sweet Holdings”) is engaged in the acquisition and management of operating businesses in the confectionery industry, including manufacturers, wholesalers, and retailers of chocolate, hard candy, and other confectionery products. These operating businesses include IT’SUGAR, LLC (“IT’SUGAR”), a specialty candy retailer with 95 retail locations in 26 states and Washington, DC, that BBX Sweet Holdings acquired in June 2017 for a purchase price of \$58.4 million, net of cash acquired. BBX Sweet Holdings’ investments also include businesses that manufacture confectionery products for wholesalers, big box chains, retailers, and corporate customers. Additionally, BBX Sweet Holdings sells fine chocolates directly to consumers at eight Hoffman’s Chocolates retail locations in South Florida.
- o Food for Thought Restaurant Group, LLC (“FFTRG”), has entered into area development agreements with a subsidiary of MOD Super Fast Pizza LLC (“MOD”), one of the largest fast-casual pizza brands in the United States. Pursuant to the agreements, FFTRG has a goal of developing up to 60 MOD franchised pizza restaurant locations throughout Florida over the next six years. The Company opened two restaurant locations during the fourth quarter of 2017 and expects to open eight to twelve additional locations in 2018.

### ***Our Strategies and Objectives***

Our objective is to increase shareholder value through investments in diverse industries. The Company is largely focused on providing strategic support to its existing investments with a view to the improved performance of the organization as a whole. Additionally, we have and may in the future invest in operating businesses and in real estate developments and joint ventures for the development of residential and commercial real estate projects, including those in which our affiliates may participate. The Company’s investments or acquisitions, and the business and investment strategies of the Company’s subsidiaries, may not prove to be successful or, even if successful, may not initially generate income or may generate income on an irregular basis, and may involve a long term investment. The Company expects to continue to experience losses in certain of the businesses in its Middle Market Division. As a consequence, the Company’s results of operations may vary significantly on a quarterly basis.

The Company’s goal is to build long-term value. Since many of the Company’s assets do not generate income on a regular or predictable basis, our objective continues to be long-term growth as measured by increases in book value and intrinsic value over time.

The Company regularly reviews the performance of its investments and operating businesses and based upon economic, market and other relevant factors may consider transactions involving the sale of all or a portion of its assets, investments or subsidiaries, including transactions involving Bluegreen or its Middle Market operating companies. These include, among other alternatives, a sale or spin-off or transactions involving public or private issuances of debt or equity



securities which decrease or dilute the Company's ownership interest. Additionally, the Company is continuing to evaluate the operations of certain of the acquired wholesale operating businesses in BBX Sweet Holdings and may decide to exit some of those businesses, which may result in the recognition of losses.

### **Additional Information**

The Company's corporate website is [www.bbxcapital.com](http://www.bbxcapital.com). The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, are available free of charge through its website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The Company's website and the information contained on or connected to it are not incorporated into this Annual Report on Form 10-K.

### ***Cautionary Note Regarding Forward-Looking Statements***

This document contains forward-looking statements based largely on current expectations of the Company that involve a number of risks and uncertainties. All opinions, forecasts, projections, future plans or other statements, other than statements of historical fact, are forward-looking statements and can be identified by the use of words or phrases such as "plans," "believes," "will," "expects," "anticipates," "intends," "estimates," "our view," "we see," "would" and words and phrases of similar import. The forward looking statements in this document are also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and involve substantial risks and uncertainties. We can give no assurance that such expectations will prove to have been correct. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. Forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. When considering forward-looking statements, the reader should keep in mind the risks, uncertainties and other cautionary statements made in this report. The reader should not place undue reliance on any forward-looking statement, which speaks only as of the date made. This document also contains information regarding the past performance of the Company, its subsidiaries and their respective investments and operations, and the reader should note that prior or current performance is not a guarantee or indication of future performance. Future results could differ materially as a result of a variety of risks and uncertainties.

Some factors which may affect the accuracy of the forward-looking statements apply generally to the industries in which the Company operates, including the resort development and vacation ownership industries in which Bluegreen operates, the real estate development and construction industry in which BBX Capital Real Estate operates, the home improvement industry in which Renin operates, and the confectionery industry in which BBX Sweet Holdings operates.

These risks and uncertainties include, but are not limited to:

- BBX Capital has limited sources of cash and is dependent upon dividends from Bluegreen to fund its operations; Bluegreen may not be in a position to pay dividends or its board of directors may determine not to pay dividends; and dividend payments may be subject to restrictions, including restrictions contained in debt instruments;
- Risks associated with the Company's indebtedness, including that the Company will be required to utilize cash flow to service its indebtedness, that indebtedness may make the Company more vulnerable to economic downturns, that indebtedness may subject the Company to covenants or restrictions on its operations and activities or on its ability to pay dividends, and, with respect to the \$80 million loan that BBX Capital received from a subsidiary of Bluegreen during April 2015, that BBX Capital may be required to prepay the loan to the extent necessary for Bluegreen or its subsidiaries to remain in compliance with covenants under their outstanding indebtedness;
- Risks associated with the Company's current business strategy, including the risk that the Company will not be in a position to provide strategic support to or make additional investments in its subsidiaries or in joint ventures, or that the Company may not achieve or maintain in the future the benefits anticipated to be realized from such support or additional investments, and the risk that the Company will not be in a position to make new investments or that any investments made will not be advantageous;
- The risks and uncertainties affecting the Company and its subsidiaries, and their respective results, operations, markets, products, services and business strategies, and the risks and uncertainties associated with its ability to successfully implement its currently anticipated plans, and its ability to generate earnings under the current business strategy;





- Risks associated with acquisitions, asset or subsidiary dispositions or debt or equity financings which the Company may consider or pursue from time to time;
- The risk that creditors of the Company's subsidiaries or other third-parties may seek to recover distributions or dividends made by such subsidiaries to the Company or other amounts owed by such subsidiaries to such creditors or third-parties;
- Adverse conditions in the stock market, the public debt market and other capital markets and the impact of such conditions on the activities of the Company and its subsidiaries;
- BBX Capital's shareholders' interests will be diluted if additional shares of its common stock are issued;
- The risk that BBX Capital may not pay dividends on its Class A Common Stock or Class B Common Stock in the amount anticipated, when anticipated, or at all;
- The impact of economic conditions on the Company, the price and liquidity of BBX Capital's Class A Common Stock and Class B Common Stock and the Company's ability to obtain additional capital, including the risk that if the Company needs or otherwise believes it is advisable to issue debt or equity securities or to incur indebtedness in order to fund its operations or investments, it may not be possible to issue any such securities or obtain such indebtedness on favorable terms, if at all;
- The impact on liquidity of BBX Capital's Class A Common Stock of not maintaining compliance with the listing requirements of the NYSE, which includes, among other things, a minimum average closing price, share volume and market capitalization;
- The performance of entities in which the Company has made investments may not be profitable or achieve anticipated results; and
- The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") involves making estimates, judgments and assumptions, and any changes in estimates, judgments and assumptions used could have a material adverse impact on the financial condition and operating results of the Company or its subsidiaries.

With respect to Bluegreen, the risks and uncertainties include, but are not limited to:

- Bluegreen's business and operations, including its ability to market VOIs, may be adversely affected by general economic conditions and the availability of financing;
- Bluegreen may not be able to develop or acquire VOI inventory or enter into and maintain fee-based service agreements or other arrangements to source VOI inventory, which may cause its business and results to be adversely impacted;
- Bluegreen's business and properties are subject to extensive federal, state and local laws, regulations and policies. Changes in these laws, regulations and policies, as well as the cost of maintaining compliance with new or existing laws, regulations and policies and the imposition of additional taxes on operations, could adversely affect Bluegreen's business. In addition, results of audits of its tax returns or those of its subsidiaries may have a material adverse impact on Bluegreen's financial condition;
- The vacation ownership and hospitality industries are highly competitive, and Bluegreen may not be able to compete successfully;
- Bluegreen's business and profitability may be impacted if financing is not available or on favorable terms, or at all;
- Bluegreen would suffer substantial losses and Bluegreen's liquidity position could be adversely impacted if an increasing number of customers to whom Bluegreen provides financing default on their obligations;
- Bluegreen's current indebtedness, or indebtedness it may incur in the future, could adversely impact its financial condition and results of operations, and the terms of Bluegreen's indebtedness may limit its activities;
- The ratings of third-party rating agencies could adversely impact Bluegreen's ability to obtain, renew or extend credit facilities, or otherwise raise funds;
- Bluegreen's future success depends on its ability to market its products and services successfully and efficiently and Bluegreen's marketing expenses have increased, and may continue to increase in the future;
- Bluegreen may not be successful in maintaining or expanding its capital-light business relationships or capital-light activities, including fee based sales and marketing activities, and just-in-time and secondary market sales activities, and such activities may not be profitable, which would have an adverse impact on Bluegreen's results of operations and financial condition;
- Bluegreen's results of operations and financial condition may be materially and adversely impacted if Bluegreen does not continue to participate in exchange networks and other strategic alliances with third parties or if Bluegreen's customers are not satisfied with the networks in which Bluegreen participates or Bluegreen's strategic alliances;
- Bluegreen is subject to certain risks associated with its management of resort properties;
- Maintenance fees at Bluegreen's resorts and/or Vacation Club dues may be required to be increased, which could cause its product to become less attractive and could harm business;



- Bluegreen’s strategic transactions may not be successful and may divert its management’s attention and consume significant resources;
- Bluegreen is dependent on managers of its affiliated resorts to ensure that those properties meet its customers’ expectations;
- The resale market for VOIs could adversely affect Bluegreen’s business;
- Bluegreen is subject to the risks of the real estate market and the risks associated with real estate development, including a decline in real estate values and a deterioration of other conditions relating to the real estate market and real estate development;
- Environmental liabilities, including claims with respect to mold or hazardous or toxic substances, could have a material adverse impact on Bluegreen’s financial condition and operating results;
- Bluegreen’s insurance policies may not cover all potential losses;
- Bluegreen’s operations may be disrupted by a natural disaster, severe weather or terrorist activities;
- Adverse outcomes in legal or other regulatory proceedings, including claims of noncompliance with applicable regulations or for development related defects, and cease and desist letters associated with the VOI note receivable collections, could adversely affect Bluegreen’s financial condition and operating results;
- A failure to maintain the integrity of internal or customer data could result in damage to Bluegreen's reputation and/or subject Bluegreen to costs, fines, or lawsuits;
- Bluegreen’s technology requires updating, the cost involved in updating the technology may be significant and the failure to keep pace with developments in technology could impair Bluegreen's operations or competitive position;
- Bluegreen’s intellectual property rights, and intellectual property rights of its business partners, are valuable, and the failure to protect those rights could adversely affect its business; and
- The loss of the services of Bluegreen’s key management and personnel could adversely affect its business.

With respect to BBX Capital Real Estate, the risks and uncertainties include, but are not limited to:

- The impact of economic, competitive and other factors affecting BBX Capital Real Estate and its assets, including the impact of a decline in real estate values on BBX Capital Real Estate’s business, the value of BBX Capital Real Estate’s assets, the ability of BBX Capital Real Estate’s borrowers to service their obligations and the value of collateral securing BBX Capital Real Estate’s loans;
- The risk of loan losses and the risks of additional charge-offs, impairments and required increases in the allowance for loan losses;
- The risk that the assumptions and expectations and the forward looking information provided in the Project Portfolio table will not prove correct;
- The risks associated with investments in real estate developments and joint ventures include:
  - o exposure to downturns in the real estate and housing markets;
  - o exposure to risks associated with real estate development activities, including severe weather conditions increasing costs, delaying construction, causing uninsured losses or reducing demand for homes;
  - o risks associated with obtaining necessary zoning and entitlements;
  - o risks that joint venture partners may not fulfill their obligations and concentration risks associated with entering into numerous joint ventures with the same joint venture partner;
  - o risks relating to reliance on third-party developers or joint venture partners to complete real estate projects;
  - o risk that the projects will not be developed as anticipated or be profitable; and
  - o risk associated with customers not performing on their contractual obligations.

With respect to the Company’s investment activities in middle market operating businesses, the risks and uncertainties include, but are not limited to:

- Risks that the business plans will not be successful and that investments in operating businesses and franchises may not achieve the returns anticipated or may not be profitable, including the risks associated with the operations and activities of Renin, BBX Sweet Holdings, and the Company’s MOD franchise operations;
- Risks that the integration of BBX Sweet Holdings’ recent acquisition of IT’SUGAR, LLC may not be completed on a timely basis, or as anticipated and that the IT’SUGAR acquisition may not be advantageous and the Company may not realize the anticipated benefits of the acquisition;
- Risks that the recent reorganization of certain BBX Sweet Holdings’ business entities and operations may not achieve anticipated operating efficiencies and that the implementation of strategic alternatives, including the sale of certain subsidiaries, will result in losses;



- The amount and terms of indebtedness associated with acquisitions and operations may impact the Company's financial condition and results of operations and limit the Company's activities;
- Continued operating losses and the failure of the acquired businesses to meet financial covenants may result in the Company making further capital contributions or advances to the acquired businesses;
- The risk of impairment losses associated with declines in the value of the Company's investments in operating businesses or the Company's inability to recover its investments;
- The risk of losses associated with excess and obsolete inventory and the risks of additional required reserves for lower of cost or market value losses in inventory;
- The risk of trade receivable losses and the risks of charge-offs and required increases in the allowance for bad debts;
- Risk associated with commodity price volatility; and
- Renin's operations expose the Company to foreign currency exchange risk of the U.S. dollar compared to the Canadian dollar.

In addition to the risks and factors identified above, reference is also made to the other risks and factors detailed in this report and the other reports filed by the Company with the SEC. The Company cautions that the foregoing factors are not exclusive.

## **Divisions**

The Company currently operates through three divisions: Bluegreen, BBX Capital Real Estate and Middle Market.

## **Bluegreen**

### *Strategies*

The Company's strategy to grow Bluegreen's profitability and long-term value is focused on:

- Increasing vacation ownership sales by expanding existing and identifying new tour sources and sales locations;
- Increasing sales and operating efficiencies across all customer touch-points;
- Continuing to efficiently procure vacation ownership interests through a mix of capital light sources and strategic resort development;
- Continuing to grow its resort management, title, loan servicing and other high profit, cash generating businesses; and
- Providing an industry leading level of customer service.

### *Market and Industry Data*

Market and industry data used in this Annual Report on Form 10-K have been obtained from Bluegreen's internal surveys, industry publications, unpublished industry data and estimates, discussions with industry sources and other currently available information. The sources for this data include, without limitation, the American Resort Development Association. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Bluegreen has not independently verified such data. Similarly, Bluegreen's internal surveys, while believed to be reliable, have not been verified by any independent sources. Accordingly, such data may not prove to be accurate. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements contained in this Annual Report on Form 10-K, as described above.

### *Trademarks, Service Marks and Trade Names*

Bluegreen owns or has rights to use a number of registered and common law trademarks, trade names and service marks in connection with its business, including, but not limited to, Bluegreen, Bluegreen Resorts, Bluegreen Vacations, Bluegreen Traveler Plus, Bluegreen Vacation Club, Bluegreen Wilderness Club at Big Cedar and the Bluegreen Logo. This Annual Report on Form 10-K also refers to trademarks, trade names and service marks of other organizations. Without limiting the generality of the preceding sentence, World Golf Village is registered by World Golf Foundation, Inc.; Big Cedar and Bass Pro Shops are registered by Bass Pro Trademarks, LP; Ascend, Ascend Hotel Collection, Ascend Resort Collection, Choice Privileges, Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, Cambria, MainStay Suites, Econo Lodge and Rodeway Inn are registered by Choice Hotels International, Inc.; and Suburban

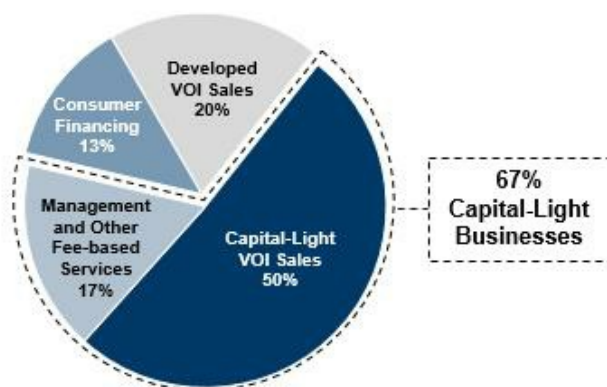
Extended Stay Hotel is registered by Suburban Franchise Systems, Inc. All trademarks, service marks or trade names referred to in this Annual Report on Form 10-K are the property of their respective holders. Solely for convenience, the trademarks, trade names and service marks referred to in this Annual Report on Form 10-K appear without the ® and ™ symbols, but such references are not intended to indicate in any way that Bluegreen or the owner will not assert, to the fullest extent under applicable law, all rights to such trademarks, trade names and service marks.

### Bluegreen’s Business

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in top leisure and urban destinations. Bluegreen’s resort network includes 43 Club Resorts (resorts in which owners in the Bluegreen Vacation Club (“Vacation Club”) have the right to use most of the units in connection with their VOI ownership) and 24 Club Associate Resorts (resorts in which owners in Bluegreen’s Vacation Club have the right to use a limited number of units in connection with their VOI ownership). Bluegreen’s Club Resorts and Club Associate Resorts are primarily located in popular, high-volume, “drive-to” vacation locations, including Orlando, Las Vegas, Myrtle Beach and Charleston, among others. Through Bluegreen’s points-based system, the approximately 213,000 owners in Bluegreen’s Vacation Club have the flexibility to stay at units available at any of its resorts and have access to almost 11,000 other hotels and resorts through partnerships and exchange networks. Bluegreen has a robust sales and marketing platform supported by exclusive marketing relationships with nationally-recognized consumer brands, such as Bass Pro and Choice Hotels. These marketing relationships drive sales within its core demographic, which is described below.

Prior to 2009, Bluegreen’s vacation ownership business consisted solely of the sale of VOIs in resorts that it developed or acquired (“developed VOI sales”). While Bluegreen continues to conduct such sales and development activities, Bluegreen now also derives a significant portion of its revenue from its capital-light business model, which utilizes Bluegreen’s expertise and infrastructure to generate both VOI sales and recurring revenue from third parties without the significant capital investment generally associated with the development and acquisition of resorts. Bluegreen’s capital-light business activities include sales of VOIs owned by third-party developers pursuant to which Bluegreen is paid a commission (“fee-based sales”) and sales of VOIs that Bluegreen purchases under just-in-time (“JIT”) arrangements with third-party developers or from secondary market sources. In addition, Bluegreen provides resorts and resort developers with other fee-based services, including resort management, mortgage servicing, title services and construction management. Bluegreen also offers financing to qualified VOI purchasers, which generates significant interest income.

**2017 Revenue (1)**



(1) Excludes “Other Income, Net.”

Bluegreen’s Vacation Club has grown from approximately 170,000 owners as of December 31, 2012 to approximately 213,000 owners as of December 31, 2017. Bluegreen primarily serves a demographic underpenetrated within the vacation ownership industry, as the typical Vacation Club owner has an average annual household income of approximately \$77,000 as compared to an industry average of \$90,000. According to U.S. census data, households with an annual income of \$50,000 to \$100,000 represent the largest percentage of the total population (approximately 29%). Bluegreen believes that its ability to effectively scale the transaction size to suit its customer, as well as high-quality, conveniently-located, “drive-to” resorts are attractive to its core target demographic.

## ***Products and Services***

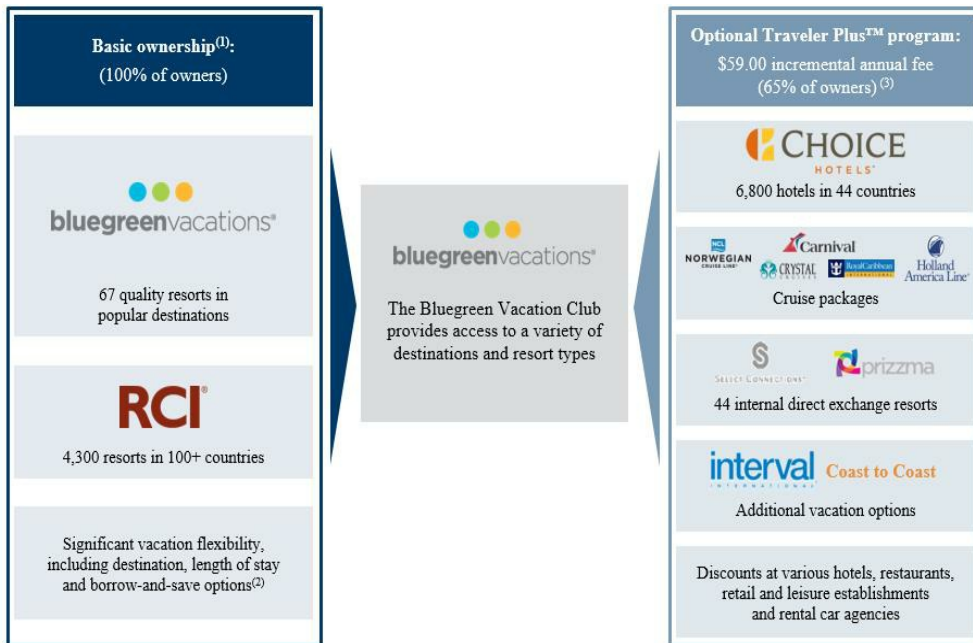
### *Vacation Ownership Interests*

Since entering the vacation ownership industry in 1994, Bluegreen has generated over 627,000 VOI sales transactions, including over 124,000 fee-based sales transactions. Bluegreen Vacation Club owners receive an annual or biennial allotment of “points” in perpetuity (supported by an underlying deeded VOI held in trust for the owner) that may be used to stay at any of Bluegreen’s 43 Club Resorts and 24 Club Associate Resorts. Vacation Club owners can use their points to stay in resorts for varying lengths of time, starting at a minimum of two nights. The number of points required for a stay at a resort varies depending on a variety of factors, including resort location, size of the unit, vacation season and the days of the week. Under this system, Vacation Club owners can select vacations according to their schedules, space needs and available points. Subject to certain restrictions and fees, Vacation Club owners are typically allowed to carry over any unused points for one year and to “borrow” points from the next year. Vacation Club owners may also take advantage of various other lodging and vacation opportunities available to them as described under “Value Proposition” below.

Each of Bluegreen’s Club Resorts and Club Associate Resorts is managed by a homeowners association (“HOA”), which is governed by a board of directors or trustees. This board hires a management company to which it delegates many of the rights and responsibilities of the HOA, including landscaping, security, housekeeping, garbage collection, utilities, insurance procurement, laundry and repairs and maintenance. Vacation Club owners pay annual maintenance fees which cover the costs of operating all the resorts in the Vacation Club system, including fees for real estate taxes and reserves for capital improvements. If a Vacation Club owner does not pay such charges, his or her use rights may be suspended and ultimately terminated, subject to the applicable lender’s first mortgage lien, if any, on such owner’s VOI. Bluegreen provides management services to 48 resorts and the Vacation Club through contractual arrangements with HOAs. Bluegreen has a 100% renewal rate on management contracts from Bluegreen’s Club Resorts.

### *“Value Proposition”*

Bluegreen Vacation Club’s points-based platform offers owners significant flexibility. As reflected in the chart below, basic Vacation Club ownership entitles owners to use their points to stay at any of Bluegreen’s 43 Club Resorts and 24 Club Associate Resorts, as well as to access more than 4,300 resorts available through the Resort Condominiums International, LLC (“RCI”) exchange network. For a nominal annual fee and transaction fees, Vacation Club owners can join and utilize Bluegreen’s Traveler Plus program, which enables them to use their points to access an additional 44 direct exchange resorts, for other vacation experiences, such as cruises. Vacation Club owners can convert their Vacation Club points into Choice Privileges points. Choice Privileges points can be used for stays in Choice Hotels. In addition, Traveler Plus members can directly use their Vacation Club points for stays in Choice Hotels’ Ascend Hotel Collection properties, a network of historic and boutique hotels in the United States, Canada, Scandinavia and Latin America. Overall, there are approximately 6,800 hotels in the Choice Hotels network, located in more than 44 countries and territories, and Choice Hotels’ brands include the Ascend Hotel Collection, Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, Cambria Hotels and Suites, MainStay Suites, Suburban Extended Stay Hotel, Econo Lodge and Rodeway Inn. Bluegreen continuously seeks new ways to add value for Bluegreen’s Vacation Club owners, including enhanced product offerings, new resort locations, broader vacation experiences and further technological innovation, all of which are designed to increase guest satisfaction.

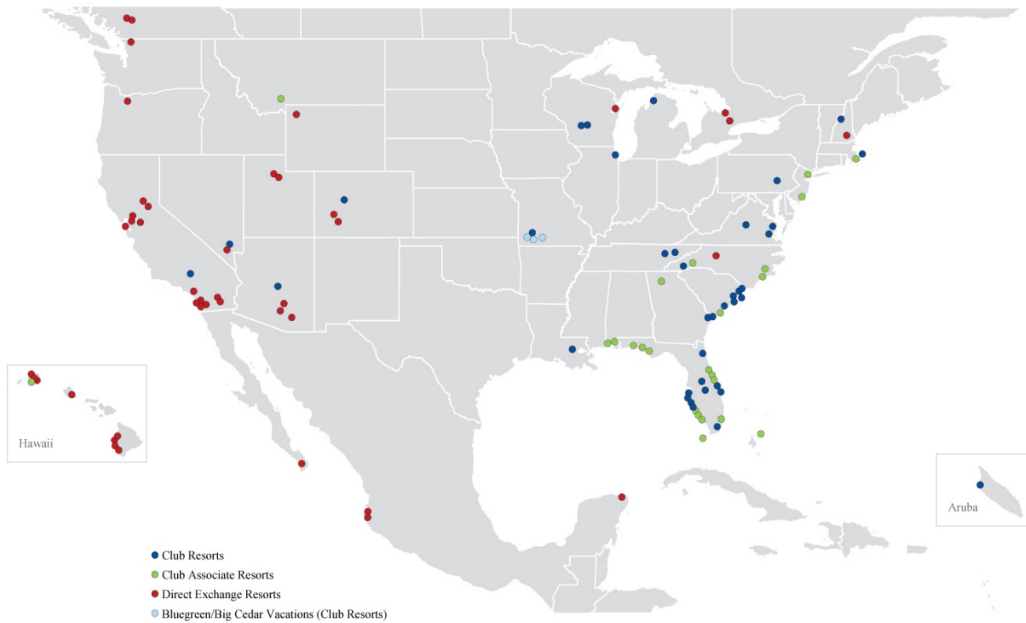


- (1) Requires annual payment of maintenance fees and club dues to the Vacation Club.
- (2) Ability to borrow additional points for 1 year or rollover up to 1 year's worth of points for a one-time fee.
- (3) Membership as of December 31, 2017.

Approximately 65% of Vacation Club owners are enrolled in Traveler Plus. During the year ended December 31, 2017, approximately 8% of Vacation Club owners utilized the RCI exchange network.

*Vacation Club Resort Locations and Amenities*

As shown in the map below, Bluegreen’s Vacation Club resorts are primarily located on the U.S. East Coast and Midwest. The 44 direct-exchange resorts available to Traveler Plus members are concentrated along the West Coast and Hawaii. Together, this provides a broad offering across the United States and the Caribbean.



Vacation Club resorts are primarily “drive-to” resort destinations and approximately 85% of Bluegreen’s Vacation Club owners live within a four-hour drive of at least one of Bluegreen’s resorts. Bluegreen resorts are located in popular vacation destinations, such as Florida, South Carolina, North Carolina, Tennessee, Virginia and Nevada, and represent



a diverse mix of resort and urban destinations, allowing Vacation Club owners the ability to customize their vacation experience. In addition, Bluegreen offers its Vacation Club owners access to Caribbean locations, including Aruba.

Bluegreen's resort network offers a diverse mix of experiences and accommodations. Unlike some of Bluegreen's competitors that maintain static brand design standards across resorts and geographies, Bluegreen seeks to design resorts that capture the uniqueness of a particular location. Bluegreen's distinctive resorts are designed to create an authentic experience and connection to their unique and varied locations.

Bluegreen's resorts typically feature condominium-style accommodations with amenities such as fully equipped kitchens, entertainment centers and in-room laundry facilities. Many resorts feature a clubhouse (including a pool, game room, lounge), hotel-type staff and concierge services.

Bluegreen also owns a 51% interest in Bluegreen/Big Cedar Vacations, which develops, markets and sells VOIs at three premier wilderness-themed resorts adjacent to Table Rock Lake near Branson, Missouri: The Bluegreen Wilderness Club at Big Cedar, The Cliffs at Long Creek and Paradise Point. The remaining 49% interest in Bluegreen/Big Cedar Vacations is held by Big Cedar, LLC, ("BC LLC"), an affiliate of Bass Pro. As a result of Bluegreen's controlling interest in Bluegreen/Big Cedar Vacations, our consolidated financial statements include the results of operations and financial condition of Bluegreen/Big Cedar Vacations.

Located next to the luxury Big Cedar Lodge, The Bluegreen Wilderness Club is a 40-acre resort overlooking Table Rock Lake with sprawling views of the surrounding Ozarks. Vacation Club owners enjoy a variety of amenities, including a 9,000 square foot clubhouse, lazy river and rock-climbing wall, in addition to full access to the amenities and activities of Big Cedar Lodge. The Cliffs at Long Creek offers fully furnished homes that can accommodate up to 13 people while providing access to a clubhouse and amenities at The Bluegreen Wilderness Club. Paradise Point offers spacious vacation villas with direct access to Table Rock Lake and the Bass Pro Long Creek Marina.

Vacation Club Resorts

Club Resorts	Location	Total units <sup>(1)</sup>	Managed by Bluegreen <sup>(2)</sup>	Fee-Based or JIT sales <sup>(3)</sup>	Sales center <sup>(7)</sup>
1 Cibola Vista Resort and Spa	Peoria, Arizona	288	✓	✓	
2 La Cabana Beach Resort & Casino <sup>(4)</sup>	Oranjestad, Aruba	449	✓		
3 The Club at Big Bear Village	Big Bear Lake, California	38	✓	✓	
4 The Innsbruck Aspen	Aspen, Colorado	17	✓		
5 Via Roma Beach Resort	Bradenton Beach, Florida	28	✓		
6 Daytona SeaBreeze	Daytona Beach Shores, Florida	78	✓		✓
7 Resort Sixty-Six	Holmes Beach, Florida	28	✓		
8 The Hammocks at Marathon	Marathon, Florida	58	✓		
9 The Fountains	Orlando, Florida	745	✓	✓	✓
10 Orlando's Sunshine Resort I & II	Orlando, Florida	84	✓		
11 Casa del Mar Beach Resort	Ormond Beach, Florida	118	✓		
Grande Villas at World Golf Village &					
12 The Resort at World Golf Village	St. Augustine, Florida	214	✓		✓
13 Bluegreen at Tradewinds	St. Pete Beach, Florida	162	✓	✓	✓
14 Solara Surfside	Surfside, Florida	60	✓		✓
15 Studio Homes at Ellis Square	Savannah, Georgia	28	✓	✓	✓
16 The Hotel Blake	Chicago, Illinois	162	✓	✓	
17 Bluegreen Club La Pension	New Orleans, Louisiana	64	✓		✓
18 The Soundings Seaside Resort	Dennis Port, Massachusetts	69	✓	✓	
19 Mountain Run at Boyne	Boyne Falls, Michigan	204	✓		✓
20 The Falls Village	Branson, Missouri	293	✓		✓
21 Paradise Point Resort <sup>(5)</sup>	Hollister, Missouri	150	✓		
22 Bluegreen Wilderness Club at Big Cedar <sup>(5)</sup>	Ridgedale, Missouri	427	✓		✓
23 The Cliffs at Long Creek <sup>(5)</sup>	Ridgedale, Missouri	62	✓		
24 Bluegreen Club 36	Las Vegas, Nevada	478	✓		✓
25 South Mountain Resort	Lincoln, New Hampshire	110	✓	✓	✓
26 Blue Ridge Village	Banner Elk, North Carolina	132	✓		
27 Club Lodges at Trillium	Cashiers, North Carolina	30	✓	✓	
28 The Suites at Hershey	Hershey, Pennsylvania	78	✓		
29 The Lodge Alley Inn	Charleston, South Carolina	90	✓		✓
30 King 583	Charleston, South Carolina	50	✓	✓	
31 Carolina Grande	Myrtle Beach, South Carolina	118	✓		✓
32 Harbour Lights	Myrtle Beach, South Carolina	324	✓		✓
33 Horizon at 77 <sup>th</sup>	Myrtle Beach, South Carolina	88	✓	✓	
34 SeaGlass Tower	Myrtle Beach, South Carolina	136	✓		
35 Shore Crest Vacation Villas I & II	North Myrtle Beach, South Carolina	240	✓		✓
36 MountainLoft I & II	Gatlinburg, Tennessee	394	✓		✓
37 Laurel Crest	Pigeon Forge, Tennessee	298	✓		✓
38 Shenandoah Crossing	Gordonsville, Virginia	128	✓		✓
Bluegreen Wilderness Traveler at					
39 Shenandoah	Gordonsville, Virginia	145	✓		
40 BG Patrick Henry Square	Williamsburg, Virginia	91	✓	✓	✓
41 Parkside Williamsburg Resort	Williamsburg, Virginia	89	✓	✓	
42 Bluegreen Odyssey Dells	Wisconsin Dells, Wisconsin	92	✓		
43 Christmas Mountain Village	Wisconsin Dells, Wisconsin	381	✓		✓
	<b>Total Units</b>	<b>7,318</b>			

<b>Club Associate Resorts</b>	<b>Location</b>	<b>Managed by Bluegreen<sup>(3)</sup></b>	<b>Fee-Based or JIT sales<sup>(5)</sup></b>
1 Paradise Isle Resort	Gulf Shores, Alabama		
2 Shoreline Towers Resort	Gulf Shores, Alabama		
3 Dolphin Beach Club	Daytona Beach Shores, Florida	✓	
4 Fantasy Island Resort II	Daytona Beach Shores, Florida	✓	
5 Mariner's Boathouse and Beach Resort	Fort Myers Beach, Florida		
6 Tropical Sands Resort	Fort Myers Beach, Florida		
7 Windward Passage Resort	Fort Myers Beach, Florida		
8 Gulfstream Manor	Gulfstream, Florida	✓	
9 Outrigger Beach Club	Ormond Beach, Florida		
10 Landmark Holiday Beach Resort	Panama City Beach, Florida		
11 Ocean Towers Beach Club	Panama City Beach, Florida		
12 Panama City Resort & Club	Panama City Beach, Florida		
13 Surfrider Beach Club	Sanibel Island, Florida		
14 Petit Crest Villas and Golf Club Villas at Big Canoe	Marble Hill, Georgia		
15 Pono Kai Resort	Kapaa (Kauai), Hawaii		
16 The Breakers Resort	Dennis Port, Massachusetts	✓	✓
17 Lake Condominiums at Big Sky	Big Sky, Montana		
18 Foxrun Townhouses	Lake Lure, North Carolina		
19 Sandcastle Village II	New Bern, North Carolina		
20 Waterwood Townhouses	New Bern, North Carolina		
21 Bluegreen at Atlantic Palace	Atlantic City, New Jersey		
22 The Manhattan Club	New York, New York		✓
23 Players Club	Hilton Head Island, South Carolina		
24 Blue Water Resort at Cable Beach <sup>(6)</sup>	Nassau, Bahamas	✓	✓

- (1) Represents the total number of units at the Club Resort. Owners in the Vacation Club have the right to use most of the units at each Club Resort in connection with their VOI ownership.
- (2) This resort is managed by Bluegreen Resorts Management, Inc., Bluegreen's wholly-owned subsidiary ("Bluegreen Resorts Management").
- (3) This resort, or a portion thereof, was developed by third-parties, and Bluegreen has sold VOIs on their behalf or have arrangements to acquire such VOIs as part of Bluegreen's capital-light business strategy.
- (4) This resort is managed by Casa Grande Cooperative Association I, which has contracted with Bluegreen Resorts Management to provide management consulting services to the resort. The services provided by Bluegreen Resorts Management to this resort pursuant to such agreement are similar in nature to, but less extensive than, the services provided by Bluegreen or its subsidiaries to the other resorts listed in the table as "Managed by Bluegreen."
- (5) This resort is developed, marketed and sold by Bluegreen/Big Cedar Vacations.
- (6) This resort is currently closed for renovation in order to repair hurricane damage.
- (7) In addition to the sales centers listed in the table, Bluegreen also operates additional sales centers in Myrtle Beach, South Carolina; Memphis, Tennessee and Sevierville, Tennessee, each of which is in close proximity to several of Bluegreen's resorts.

### ***Marketing and Sale of Inventory***

VOI sales are typically generated by attracting prospective customers to tour a resort and attend a sales presentation. Bluegreen's sales and marketing platform utilizes a variety of methods to generate new owner prospects, drive tour flow and sell VOIs in its Vacation Club. Bluegreen utilizes marketing alliances with nationally-recognized brands, which provide exclusive access to venues which target consumers generally matching Bluegreen's core demographic. In addition, Bluegreen sources sales prospects through programs which generate leads at high-traffic venues and in high-density tourist locations and events, as well as from telemarketing and referrals from existing owners and exchangers and renters staying at Bluegreen's properties.

Many of Bluegreen's programs involve the sale of a discounted vacation package that typically includes a two to three night stay in close proximity to one of Bluegreen's resort sales offices and requires participation in a sales presentation (a sales tour). Vacation packages are typically sold either in retail establishments, such as Bass Pro stores and outlet malls, or via telemarketing. During the year ended December 31, 2017, Bluegreen sold over 245,000 vacation packages and 48% of Bluegreen's VOI sales were derived from vacation packages. As of December 31, 2017, Bluegreen had a pipeline of over 199,000 vacation packages sold, which typically convert to tours at a rate of 54%.

Bluegreen has an exclusive marketing agreement with Bass Pro, a nationally-recognized retailer of fishing, marine, hunting, camping and sports gear, that provides Bluegreen with the right to market and sell vacation packages at kiosks

in each of Bass Pro's retail locations. As of December 31, 2017, Bluegreen sold vacation packages in 68 of Bass Pro's stores. Bass Pro has a loyal customer base that strongly matches Bluegreen's core demographic. Under the agreement, Bluegreen also has the right to market VOIs in Bass Pro catalogs and on its website, and to access Bass Pro's customer database. In exchange, Bluegreen compensates Bass Pro based on VOI sales generated through the program. No compensation is paid to Bass Pro under the agreement on sales made at Bluegreen/Big Cedar Vacations' resorts. During the years ended December 31, 2017, 2016 and 2015, VOI sales to prospects and leads generated by the agreement with Bass Pro accounted for approximately 15%, 16% and 20%, respectively, of Bluegreen's VOI sales volume. Bluegreen's marketing alliance with Bass Pro originated in 2000, has been renewed twice and currently runs through 2025.

Bluegreen has an exclusive strategic relationship with Choice Hotels that covers several areas of its business, including a sales and marketing alliance that enables it to leverage Choice Hotels' brands, customer relationships and marketing channels to sell vacation packages. Vacation packages are sold through customer reservation calls transferred to Bluegreen from Choice and through outbound telemarketing methods utilizing Choice's customer database. In addition, 36 of Bluegreen's resorts are part of Choice's Ascend Hotel Collection, which provides Bluegreen with the opportunity to market to Choice Hotel guests staying at its resorts. Bluegreen's strategic relationship with Choice Hotels originated in 2013 and was extended in August 2017 for a term of 15 years, with an additional 15-year renewal term thereafter unless either party elects not to renew the arrangement.

In addition, Bluegreen generates leads and sells vacation packages through its relationships with various other retail operators and entertainment providers. As of December 31, 2017, Bluegreen had kiosks in 19 outlet malls, strategically selected based on proximity to major vacation destinations and strong foot traffic of consumers matching its core target demographic. Bluegreen generates vacation package sales from these kiosks. Bluegreen also generates leads at malls, outlets and high-density locations or events, where contact information for sales prospects is obtained through raffles, giveaways and other attractions. Bluegreen then seeks to sell vacation packages to such prospects, including through telemarketing efforts or third-party vendors. As of December 31, 2017, Bluegreen had lead generation operations in over 500 locations.

Bluegreen believes that its diverse strategic marketing alliances (including those with Bass Pro, Choice Hotels and other retail operators and entertainment providers) deliver a strategic advantage over certain competitors that rely primarily on relationships with their affiliated hotel brands to drive lead generation and new owner growth. Bluegreen has experience in identifying marketing partners with brands that attract Bluegreen's targeted owner demographic and building successful marketing relationships with those partners. Bluegreen also attempts to structure these marketing alliances to compensate its partners with success-based payments, rather than flat fees for the use of their brand or facilities for lead generation. Bluegreen believes that the variety in its marketing relationships has facilitated a healthy mix of new owner sales vs. existing owner sales that compare favorably to its competitors. During the year ended December 31, 2017, 51% of Bluegreen's VOI sales were to new owners.

In addition to attracting new customers, Bluegreen also seeks to sell additional VOI points to its existing Vacation Club owners. These sales generally have lower marketing costs and result in higher operating margins than sales generated through other marketing channels. During the years ended December 31, 2017, 2016 and 2015, sales to existing Vacation Club owners accounted for 49%, 46% and 48%, respectively, of Bluegreen's system-wide sales of VOIs, net. Bluegreen targets a balanced mix of new customer and existing Vacation Club owner sales to drive sustainable long-term growth. The number of owners in Bluegreen's Vacation Club has increased at a 5% compound annual growth rate between 2012 and 2017, from approximately 170,000 owners as of December 31, 2012 to approximately 213,000 owners as of December 31, 2017.

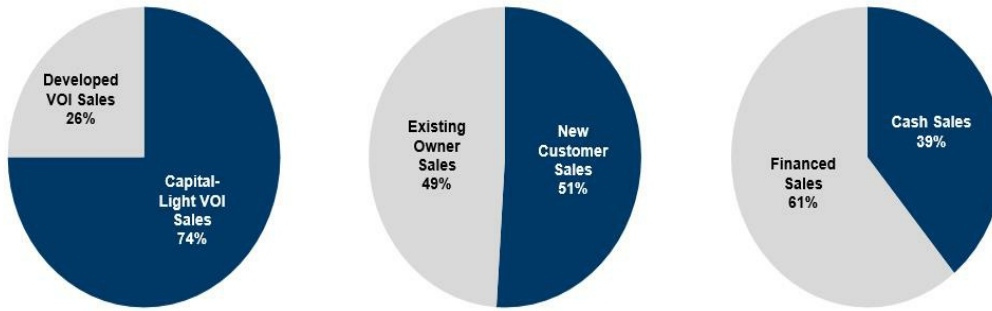
Bluegreen operates 23 sales offices, typically located adjacent to its resorts and staffed with sales representatives and sales managers. As of December 31, 2017, Bluegreen had over 3,000 employees dedicated to VOI sales and marketing. Bluegreen utilizes a uniform sales process, offers ongoing training for its sales personnel and maintains strict quality control policies. During the year ended December 31, 2017, 91% of Bluegreen's sales were generated from 16 of its sales offices, which focus on both new customer and existing Vacation Club owner sales. Bluegreen's remaining 7 sales offices are primarily focused on sales to existing Vacation Club owners staying at the respective resort. In addition, Bluegreen utilizes its telesales operations to sell VOIs to Vacation Club owners.

### ***Flexible Business Model***

Bluegreen's business model is designed to give it flexibility to capitalize on opportunities and adapt to changing market environments. Bluegreen has the ability to adjust its targeted mix of capital-light vs. developed VOI sales, sales to new customers vs. existing Vacation Club owners, and cash vs. financed sales. While Bluegreen may pursue opportunities that impact its short-term results, Bluegreen's long-term goal is to achieve sustained growth while maximizing earnings and cash flow.

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For the year ended December 31, 2017

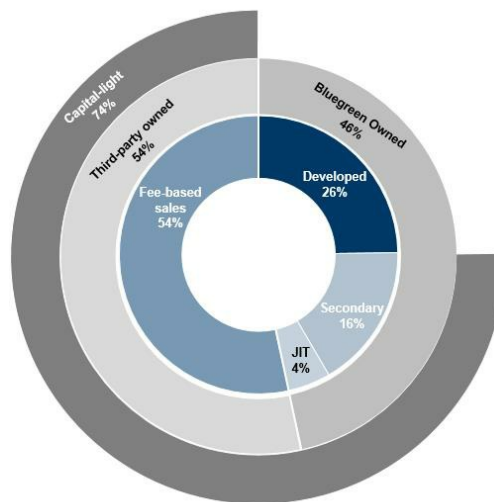


Note: Cash sales represent the portion of Bluegreen’s system-wide sales of VOIs, net that is received from the customer in cash within 30 days of purchase.

**VOI Sales Mix**

Bluegreen’s VOI sales include:

- Fee-based sales of VOIs owned by third-party developers pursuant to which Bluegreen is paid a commission;
- JIT sales of VOIs Bluegreen acquires from third-party developers in close proximity to when Bluegreen intends to sell such VOIs;
- Secondary market sales of VOIs Bluegreen acquires from HOAs or other owners; and
- Developed VOI sales, or sales of VOIs in resorts that Bluegreen develops or acquires (excluding inventory acquired pursuant to JIT and secondary market arrangements).



**Fee-Based Sales**

Bluegreen offers sales and marketing services to third-party developers for a commission. Under these fee-based sales arrangements, which are typically entered into on a non-committed basis, Bluegreen sells the third-party developers’ VOIs as Vacation Club interests through its sales and marketing platform. Bluegreen also provides third-party developers with administrative services, periodic reporting and analytics through its proprietary software platform. Bluegreen seeks to structure the fee for these services to cover selling and marketing costs, plus an operating profit. Historically Bluegreen has targeted a commission rate of 65% to 75% of the VOI sales price. Notes receivable originated in connection with fee-based sales are held by the third-party developer and, in certain cases, are serviced by Bluegreen for an additional fee. In connection with fee-based sales, Bluegreen is not at risk for development financing and has no capital requirements, thereby increasing return on invested capital. Bluegreen also typically obtains the HOA management contract associated with these resorts.

### *Just-In-Time (JIT) Sales*

Bluegreen enters into JIT inventory acquisition agreements with third-party developers that allow Bluegreen to buy VOI inventory in close proximity to when Bluegreen intends to sell such VOIs. While Bluegreen typically enters into such arrangements on a non-committed basis, Bluegreen may engage in committed arrangements under certain circumstances. Similar to fee-based sales, JIT sales do not expose Bluegreen to risks for development financing. However, unlike fee-based sales, Bluegreen holds the consumer finance receivables originated in connection with JIT sales. While JIT sales accounted for only 4% of system-wide sales of VOIs, net for the year ended December 31, 2017, JIT arrangements are often entered into in connection with fee-based sales arrangements.

### *Secondary Market Sales*

Bluegreen acquires VOI inventory from HOAs and other owners generally on a non-committed basis. These VOIs are typically obtained by the applicable HOA through foreclosure or termination in connection with HOA maintenance fee defaults. Accordingly, Bluegreen generally purchases VOIs from secondary market sources at a greater discount to retail price compared to developed VOI sales and JIT sales. During the year ended December 31, 2017, secondary market sales accounted for 16% of Bluegreen's system-wide sales of VOIs, net.

### *Developed VOI Sales*

Developed VOI sales are sales of VOIs in resorts that Bluegreen has developed or acquired (excluding inventory acquired pursuant to JIT and secondary market arrangements). During the year ended December 31, 2017, developed VOI sales accounted for 26% of Bluegreen's system-wide sales of VOIs, net. Bluegreen holds the notes receivable originated in connection with developed VOI sales. Bluegreen also typically obtains the HOA management contract associated with these resorts.

### *Future VOI Sales*

Completed VOI inventory increases or decreases from period to period due to the acquisition of inventory through JIT and secondary market arrangements, development of new VOI units, reacquisition of VOIs through notes receivable defaults and changes to sales prices and completed sales. As of December 31, 2017 and 2016, Bluegreen owned completed VOI inventory (excluding units not currently being marketed as VOIs, including model units) and had access to additional completed VOI inventory through fee-based and JIT arrangements as follows (dollars are in thousands and represent the then-estimated retail sales value):

<b>Inventory Source</b>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Owned completed VOI inventory	\$ 754,961	\$ 548,076
Inventory accessible through fee-based and JIT arrangements	401,906	503,820
<b>Total</b>	<b>\$ 1,156,867</b>	<b>\$ 1,051,896</b>

Based on current estimates and expectations, Bluegreen believes this inventory, combined with inventory being developed by Bluegreen or its third-party developer clients, and inventory that Bluegreen may reacquire in connection with mortgage and maintenance fee defaults, can support Bluegreen's VOI sales at its current levels for over three years. Bluegreen maintains relationships with numerous third-party developers and expect additional fee-based and JIT relationships to continue to provide high-quality VOI inventory to support its sales efforts. In addition, Bluegreen is focused on strategically expanding its inventory through development at five of its resorts over the next several years. Bluegreen intends to continue to strategically evaluate opportunities to develop or acquire VOI inventory in key strategic markets where Bluegreen identifies growing demand and has already established marketing and sales networks.

During the years ended December 31, 2017 and 2016, the estimated retail sales value and cash purchase price of the VOIs Bluegreen acquired through secondary market arrangements were as follows (dollars in thousands):

	<b>Years Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Estimated retail sales value	\$ 243,084	\$ 169,848
Cash purchase price	\$ 12,721	\$ 7,555





In addition to inventory acquired through secondary market arrangements and in connection with notes receivable defaults, Bluegreen expects to acquire inventory through six JIT arrangements during 2018, four of which provide for committed purchases for 2018, and development activities. Development activities currently consist primarily of additional VOI units being developed at The Cliffs at Long Creek in Ridgedale, Missouri, and at the Fountains in Orlando, Florida.

#### ***Management and Other Fee-Based Services***

Bluegreen earns recurring management fees for providing services to HOAs. These management services include oversight of housekeeping services, maintenance and certain accounting and administrative functions. Bluegreen believes its management contracts yield highly predictable cash flows that do not have the traditional risks associated with hotel management contracts that are linked to daily rate or occupancy. Bluegreen's management contracts are typically structured as "cost-plus" management fees, which means Bluegreen generally earns fees equal to 10% to 12% of the costs to operate the applicable resort and have an initial term of three years with automatic one-year renewals. As of December 31, 2017, Bluegreen provided management services to 48 resorts. Bluegreen also earns recurring management fees for providing services to the Vacation Club. These services include managing the reservation system and providing owner billing and collection services. Bluegreen's management contract with the Vacation Club provides for reimbursement of its costs plus a fee equal to \$10 per VOI owner. Bluegreen may seek to expand its management services business, including to provide hospitality management services to hotels for third parties.

In addition to HOA and club management services, which provide a recurring stream of revenue, Bluegreen provides other fee-based services that produce revenues without the significant capital investment generally associated with the development and acquisition of resorts. These services include, but are not limited to, title and escrow services for fees in connection with the closing of VOI sales, servicing notes receivable held by third parties, typically for a fee equal to 1.5% to 2.5% of the principal balance of the serviced portfolio, and construction management services for third-party developers, typically for fees equal to 3% of the cost of construction of the project. Bluegreen also receives revenues from retail and food and beverage outlets at certain resorts.

#### ***Customer Financing***

Bluegreen generally offers qualified purchasers financing for up to 90% of the purchase price of VOIs. The typical financing provides for a term of ten years and a fixed interest rate that is determined by the FICO score of the borrower, and the amount of the down payment and existing ownership. Purchasers may receive an additional 1% discount in the interest rate by participating in Bluegreen's pre-authorized payment plan. As of December 31, 2017, 95% of Bluegreen's serviced VOI notes receivable participated in Bluegreen's pre-authorized payment plan. During the year ended December 31, 2017, the weighted-average interest rate on Bluegreen's VOI notes receivable was 15.3%. Bluegreen's typical VOI note receivable has a term of ten years, has a fixed interest rate, is fully amortizing in equal installments, and may be prepaid without penalty.

VOI purchasers are generally required to make a down payment of at least 10% of the sales price. As part of Bluegreen's continued efforts to manage operating cash flows, Bluegreen incentivize its sales associates to encourage cash sales and higher down payments on financed sales, with a target of 40-45% of the VOI sales price collected in cash. Bluegreen also promotes a point-of-sale credit card program sponsored by a third-party financial institution. As a result of these efforts, Bluegreen has increased both the percentage of sales that are fully paid in cash and the average down payment on financed sales. Including down payments received on financed sales, approximately 39% of Bluegreen's system-wide sales of VOIs, net during the year ended December 31, 2017 were paid in cash within approximately 30 days from the contract date.

See "Sales/Financing of Receivables" below for additional information regarding Bluegreen's receivable financing activities.

### *Loan Underwriting*

Bluegreen generally does not originate financing to customers with FICO scores below 575. Bluegreen may provide financing to customers with no FICO score if the customer makes a minimum required down payment of 20%. For loans made during 2017, the borrowers' weighted-average FICO score after a 30-day, "same as cash" period from the point of sale was 724. Further information is set forth in the following table:

<u>FICO Score</u>	<u>Percentage of originated and serviced VOI receivables <sup>(1)</sup></u>
<600	2.0%
600 - 699	33.0%
700+	65.0%

(1) Excludes loans for which the obligor did not have a FICO score. For 2017, approximately 1% of Bluegreen's VOI notes receivable related to financing provided to borrowers with no FICO score.

### *Collection Policies*

Financed VOI sales originated by Bluegreen typically utilize a note and mortgage. Collection efforts related to these VOI loans are managed by Bluegreen. Bluegreen's collectors are incentivized through a performance-based compensation program.

Bluegreen generally makes collection efforts with respect to Vacation Club owners with outstanding loans secured by their VOI by mail, telephone and in certain cases, email (as early as 15 days past due). Telephone contact generally commences when an account is as few as approximately ten days past due. At 30 days past due, Bluegreen mails a collection letter to the owner, if a U.S. resident, advising that if the loan is not brought current, the delinquency will be reported to a credit reporting agency. At 60 days past due, Bluegreen mails a letter to the owner advising that he or she may be prohibited from making future reservations for lodging at a resort. At 90 days past due, Bluegreen stops the accrual of, and reverse previously accrued but unpaid, interest on the note receivable and mails a notice informing the owner that unless the delinquency is cured within 30 days, Bluegreen will terminate the underlying VOI ownership. If an owner fails to bring the account current within the given timeframe, the loan is defaulted and the owner's VOI is terminated. In that case, Bluegreen mails a final letter, typically at approximately 120 days past due, notifying the owner of the loan default and the termination of his or her beneficial interest in the VOI property. Thereafter, Bluegreen seeks to resell the VOI to a new purchaser.

### *Allowance for Credit Losses*

Under vacation ownership accounting rules, Bluegreen estimates uncollectible VOI notes receivable based on historical amounts for similar VOI notes receivable and do not consider the value of the underlying collateral. Bluegreen holds large pools of homogeneous VOI notes receivable and assess uncollectibility based on pools of receivables. In estimating future credit losses, Bluegreen evaluates a combination of factors, including a static pool analysis, the aging of the respective receivables, current default trends, prepayment rates by origination year and the borrowers' FICO scores.

Substantially all defaulted VOI notes receivable result in the holder of such receivable acquiring the related VOI that secured such receivable, typically soon after default and at little or no cost. The reacquired VOI is then available for resale in the normal course of business.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information about the performance of Bluegreen's notes receivable portfolio.

### *Sales/Financing of Receivables*

Bluegreen's ability to sell or borrow against its VOI notes receivable has historically been an important factor in meeting its liquidity requirements. The vacation ownership business generally involves sales where a buyer is only required to pay 10% of the purchase price up front, while at the same time selling and marketing expenses related to such sales are primarily cash expenses that exceed the down payment amount. For the year ended December 31, 2017, Bluegreen's sales and marketing expenses totaled approximately 52% of system-wide sales of VOIs, net. Accordingly, having facilities for the sale or hypothecation of VOI notes receivable, along with periodic term securitization transactions, has been a critical factor in meeting Bluegreen's short and long-term cash needs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information about Bluegreen's VOI notes receivable purchase facilities and term securitizations.

### *Receivables Servicing*

Receivables servicing includes collecting payments from borrowers and remitting the funds to the owners, lenders or investors in such receivables, accounting for principal and interest on such receivables, making advances when required, contacting delinquent borrowers, terminating a Vacation Club ownership in the event that defaults are not timely remedied and performing other administrative duties.

Bluegreen receives fees for servicing its securitized notes receivable and these fees are included as a component of interest income. Additionally, Bluegreen earns servicing fee income from third-party developers in connection with its servicing of their loan portfolios under certain fee-based services arrangements, which is netted against the cost of Bluegreen's mortgage servicing operations.

### ***Bluegreen's Core Operating and Growth Strategies***

#### *Grow VOI sales*

Bluegreen's goal is to utilize its sales and marketing platform to continue its strong history of VOI sales growth through the expansion of existing alliances, continued development of new marketing programs and additional VOI sales to its existing Vacation Club owners. Bluegreen believes there are a number of opportunities within its existing marketing alliances to drive future growth, including the expansion of its marketing efforts with Bass Pro to include programs focused on Bass Pro's e-commerce platform. In addition, through Bluegreen's agreement with Choice Hotels, Bluegreen plans to enhance its marketing program through further penetration of Choice Hotels' digital and call-transfer programs. In addition to existing programs, Bluegreen plans to utilize its sales and marketing expertise to continue to identify unique marketing relationships with nationally-recognized brands that resonate with its core demographic. In addition, Bluegreen actively seeks to sell additional VOI points to its existing Vacation Club owners, which typically involve significantly lower marketing costs and have higher conversion rates compared to sales to new customers. Bluegreen is also committed to continually expanding and updating its sales offices to more effectively convert tours generated from its marketing programs into sales. In addition, Bluegreen seeks to identify high traffic resorts where it believes increased investment in sales office infrastructure will yield strong sales results.

#### *Continue to enhance Bluegreen's Vacation Club experience*

Bluegreen believes its Vacation Club offers owners exceptional value. Bluegreen's Vacation Club offers owners access to its 43 Club Resorts and 24 Club Associate Resorts in premier vacation destinations, as well as access to approximately 11,000 other hotels and resorts and other vacation experiences, such as cruises, through partnerships and exchange networks. Bluegreen continuously seeks new ways to add value and flexibility to its Vacation Club membership and enhance the vacation experience of its Vacation Club owners, including the addition of new destinations, the expansion of its exchange programs and the addition of new partnerships to offer increased vacation options. Bluegreen also continuously seeks to improve its technology, including websites and applications, to enhance its Vacation Club owners' experiences. Bluegreen believes this focus, combined with its high-quality customer service, will continue to enhance the Vacation Club experience, driving sales to new owners and additional sales to existing Vacation Club owners.

#### *Grow high-margin, cash generating businesses*

Bluegreen seeks to continue to grow its ancillary businesses, including resort management, title services and loan servicing. Bluegreen believes these businesses can grow with little additional investment in infrastructure and potentially produce high-margin revenues.

#### *Increase sales and operating efficiencies across all customer touch-points*

Bluegreen actively seeks to improve its operational execution across all aspects of its business. In Bluegreen's sales and marketing platform, Bluegreen utilizes a variety of screening methods and data-driven analyses to attract high-quality prospects to its sales offices in an effort to increase Volume Per Guest ("VPG"), an important measure of sales efficiency. Bluegreen also continues to test new and innovative methods to generate sales prospects with a focus on increasing cost efficiency. In connection with its management services and consumer financing activities, Bluegreen will continue to leverage its size, infrastructure and expertise to increase operating efficiency and profitability. In addition, as Bluegreen expands, Bluegreen expect to gain further operational efficiencies by streamlining its support operations, such as call centers, customer service, administration and information technology.

### *Maintain operational flexibility while growing the business*

Bluegreen believes it has built a flexible business model that allows it to capitalize on opportunities and adapt to changing market environments. Bluegreen intends to continue to pursue growth through a balanced mix of capital-light sales vs. developed VOI sales, sales to new customers vs. sales to existing Vacation Club owners and cash sales vs. financed sales. While Bluegreen may from time to time pursue opportunities that impact its short-term results, Bluegreen's long-term goal is to achieve sustained growth while maximizing earnings and cash flow.

### *Pursue strategic transactions*

As part of a growth strategy, Bluegreen may seek acquisitions of other VOI companies, resort assets, sales and marketing platforms, management companies and contracts, and other assets, properties and businesses, including where Bluegreen believes significant synergies and cost savings may be available. Bluegreen may choose to pursue acquisitions directly or in partnership with third-party developers or others, including pursuant to arrangements where third-party developers purchase the resort assets and Bluegreen sell the VOIs in the acquired resort on a commission basis. Bluegreen has a long history of successfully identifying, acquiring and integrating complementary businesses, and believes its flexible sales and marketing platform enables Bluegreen to complete these transactions in a variety of economic conditions.

## **Industry Overview**

The vacation ownership, or timeshare, industry is one of the fastest growing segments of the global travel and tourism sector. By purchasing a VOI, the purchaser typically acquires either (i) a fee simple interest in a property (or collection of properties) providing annual usage rights at the owner's home resort (where the owner's VOI is deeded), or (ii) an annual or biennial allotment of points that can be redeemed for stays at properties included in the vacation ownership company's resort network or for other vacation options available through exchange programs. Compared to hotel rooms, vacation ownership units typically offer more spacious floor plans and residential features, such as living rooms, fully equipped kitchens and dining areas. Compared to owning a vacation home in its entirety, the key advantages of vacation ownership products typically include a lower up-front acquisition cost and annual expenses, resort-style features and services and, often, an established infrastructure to exchange usage rights for stays across multiple locations.

The vacation ownership industry was historically highly fragmented, with a large number of local and regional resort developers and operators having small resort portfolios of varying quality. Bluegreen believes that growth in the vacation ownership industry has been driven by increased interest from resort developers and globally-recognized lodging and entertainment brands, increased interest from consumers seeking flexible vacation options, continued product evolution and geographic expansion. In 2016, more than 9.2 million families (approximately 6.9% of U.S. households) owned at least one VOI and VOI sales have grown 800% over the last 30 years.

While the majority of VOI owners are over the age of 45, new owners are, on average, approximately 5 years younger. VOI owners have an average annual household income of \$81,000 and 84% of VOI owners own their own home.

## **BBX Capital Real Estate**

### ***Overview***

BBX Capital Real Estate's primary activities include the acquisition, development, ownership, and management of real estate and investments in real estate joint ventures. BBX Capital Real Estate also manages the legacy assets acquired by BCC in connection with the BankAtlantic Sale. The legacy assets include portfolios of loans receivable, real estate properties, and loans previously charged-off by BankAtlantic.

### ***Strategy***

BBX Capital Real Estate's strategy is focused on:

- Identifying and acquiring or developing real estate, including rental apartment communities, housing communities, and commercial properties;
- Identifying and investing in opportunistic real estate joint ventures with third party developers; and
- Continuing to monetize the remaining legacy asset portfolio through loan repayments, collections, sales, development, or joint venture projects.



## Project Portfolio

BBX Capital Real Estate's portfolio currently includes investments in the following real estate development projects and operating properties either through joint ventures or wholly-owned developments. A more detailed description of each investment follows this table:

Asset Name	Project Size	Status	Start Date	Expected Exit/Sales Date <sup>(3)</sup>	Carrying Amount of Investment <sup>(2)</sup> (in millions)	Remaining Investment <sup>(3)</sup> (in millions)	Estimated Future Proceeds <sup>(3)</sup> (in millions)
<i>Multifamily Apartment Developments</i>							
Altis at Kendall Square <sup>(1)</sup>	Retail Parcel	Pending sale of retail parcel (Completed – 321 Apartments sold in 2016)	2013	2018	\$0.1	-	\$1.4 - \$1.6
Addison on Millenia <sup>(1)</sup>	292 Apartments	Completed – Pending rent stabilization	2015	2018	\$5.5	-	\$10.7 - \$11.9
Altis at Lakeline <sup>(1)</sup>	354 Apartments	Completed – Pending rent stabilization	2014	2018	\$4.2	-	\$6.7 - \$7.4
Altis at Bonterra <sup>(1)</sup>	314 Apartments	Completed – Pending rent stabilization	2015	2019	\$16.9	-	\$33.7 - \$37.3
Altis at Shingle <sup>(1)</sup>	356 Apartments	Under Development	2016	2019	\$0.4	-	\$1.2 - \$1.4
Altis at Grand Central <sup>(1)</sup>	314 Apartments	Under Development	2017	2021	\$1.9	-	\$2.8 - \$3.1
Altis at Promenade <sup>(1)</sup>	338 Apartments	Under Development	2017	2021	\$1.0	-	\$1.9 - \$2.1
<i>Single Family Developments</i>							
Bonterra CC Homes <sup>(1)</sup>	394 Homes	Completed	2014	2018	\$0.5	-	\$0.5 - \$0.6
Village at Victoria Park <sup>(1)</sup>	30 Homes	Under Development – 11 units under contract	2013	2018	\$1.6	-	\$3.1 - \$3.4
Centra Falls <sup>(1)</sup>	89 Townhomes	Under Development – 6 units under contract	2015	2018	\$0.2	-	\$0.2 - \$0.3
Centra Falls West <sup>(1)</sup>	61 Townhomes	Under Development – 48 units under contract	2016	2018 - 2019	\$0.6	-	\$0.7 - \$0.8
Chapel Grove Townhomes <sup>(1)</sup>	125 Townhomes	Under Development	2017	2018 - 2019	\$4.9	-	\$6.2 - \$6.5
Beacon Lake <sup>(1)(5)</sup>	1,476 Lots	Under Development	2016	2018 - 2025	\$26.8	TBD	TBD
Miramar CC Homes <sup>(1)</sup>	193 Homes	Predevelopment	2015	TBD	\$1.2	TBD	TBD
<i>Retail Developments</i>							
Gardens on Millenia Retail JV <sup>(1)</sup>	142,000 SF	Completed – Anchor space sold in 2017 / Pending sale of additional retail space	2015	2018	\$5.2	-	\$5.2 - \$5.5
Gardens on Millenia Land	2 Outparcels	Completed – Pending sale of final outparcel	2013	TBD	\$1.2	-	\$2.4 - \$2.6
<i>Mixed Use Developments</i>							
PGA Pod B <sup>(1)</sup>	145,000 SF	Completed – two office buildings available for sale - one office building under contract	2013	2018	\$1.9	-	\$5.6 - \$6.2
PGA Pods A&C	18 Acres	Under Development – Pending sale of developed land	2014	2020	\$5.7	\$1.8 - \$2.2	\$7.1 - \$7.9
Bayview Site <sup>(1)</sup>	3 Acres	Predevelopment	2014	TBD	\$1.5	TBD	TBD
<i>Operating Properties</i>							
Villa San Michele	272 Beds (82 Units)	Sold January 2018	2014	2018	\$6.2	-	9.3
RoboVault <sup>(4)</sup>	90,000 SF Storage Facility	Completed – Pending rent stabilization	2013	2021	\$7.0	-	\$13.4 - \$14.8

- (1) These assets represent investments in real estate ventures that are not consolidated into our financial statements. See Note 10 – Investments in Unconsolidated Real Estate Joint Ventures under Item 8 included in this report for additional information regarding these investments.
- (2) For our consolidated investments, the carrying amount of our investment represents the carrying amount of the real asset associated with the applicable project and for our other investments, which are unconsolidated real estate joint ventures, the carrying amount of our investment represents our investment in the applicable joint venture recognized under the equity method of accounting.
- (3) The above information under the headings “Expected Sales Date,” “Remaining Investment,” and “Estimated Future Proceeds” is forward looking and inherently uncertain. The information is based on our current assumptions and expectations which are largely based on factors not within our control. These factors include, but are not limited to, economic conditions generally and conditions that affect the project in particular, the performance of our joint venture partners in managing the projects, potential overruns in development and operating costs, tenant demand for retail, storage and multifamily rental units, buyer demand for single family housing, and the values of the underlying real estate upon sale or exit. Accordingly, there is no assurance that we will achieve results consistent with this forward looking information, and our actual results could differ materially from the information provided. For a discussion of other factors that may impact our actual results, and additional risks and uncertainty related to BBX Capital Real Estate’s projects, see the risks, uncertainties and cautionary factors discussed elsewhere in this Annual Report on Form 10-K.
- (4) RoboVault generated revenue of \$1.2 million during the year ended December 31, 2017.
- (5) A portion of the carrying amount of the Beacon Lake investment was funded by Community Development Bonds. A pro rata portion of the Community Development Bond obligations attaches to each parcel in the development and BBX Capital will be responsible for making payments from time to time subject to future sale of the parcels.

### ***Multifamily Apartment Developments***

#### *Altis at Kendall Square, LLC (“Altis at Kendall Square”)*

In March 2013, the Company invested \$1.3 million as one of a number of investors in a joint venture with The Altman Companies (“Altman”) to develop Altis at Kendall Square, a 321 unit multifamily apartment development comprised of twelve three-story apartment buildings, a retail parcel, and a clubhouse located in Kendall, Florida. During the year ended December 31, 2016, the joint venture sold the apartment buildings and clubhouse, and the Company recognized \$3.1 million of equity earnings and received \$3.7 million of distributions from the joint venture. The Company anticipates that the retail land will be sold in 2018.

#### *The Addison on Millenia Investment, LLC (“The Addison on Millenia”)*

In December 2015, the Company invested as one of a number of investors in a joint venture with ContraVest to develop The Addison on Millenia, a 292 unit multifamily apartment development comprised of nine apartment buildings located in Orlando, Florida. At the inception of the venture, the Company transferred land with an agreed upon value of \$5.8 million and cash of \$0.3 million to the joint venture in return for its membership interest. The Company is entitled to receive 48% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. Construction commenced in the first quarter of 2016 and was completed during 2017. The 292 apartment units were 96% leased as of December 31, 2017.

#### *Altis at Lakeline – Austin Investor, LLC (“Altis at Lakeline”)*

In December 2014, the Company invested \$5.0 million as one of a number of investors in a joint venture with Altman to develop Altis at Lakeline, a 354 unit multifamily apartment development comprised of nineteen two- and three-story apartment buildings, 38 enclosed garages, and a private resort-style 5,500 square foot clubhouse located in Cedar Park, Texas. The Company is entitled to receive 34% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. Construction commenced in the first quarter of 2015 and was completed during 2017. The 354 apartment units were 87% leased as of December 31, 2017.

#### *Altis at Bonterra – Hialeah, LLC (“Altis at Bonterra”)*

In December 2015, the Company invested in a joint venture with Altman to develop Altis at Bonterra, a 314 unit multifamily apartment development located in Hialeah, Florida. At the inception of the venture, the Company transferred property with an agreed upon value of \$9.4 million and cash of \$7.5 million to the joint venture in return for its membership interest. The Company is entitled to receive 95% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital, and any distributions thereafter are shared based on earnings, with the managing member receiving an increased percentage of the distributions. Construction commenced

in the first quarter of 2016 and was completed during 2017. The 314 apartment units were 87% leased as of December 31, 2017.

*Altis at Shingle Creek Manager, LLC (“Altis at Shingle Creek”)*

In April 2016, the Company invested \$332,000 as one of a number of investors in a joint venture with Altman to develop Altis at Shingle Creek, a 356 unit multifamily apartment development located in Orlando, Florida. The Company is entitled to receive 2.5% of the joint venture distributions until it receives its aggregate capital contribution plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. Construction commenced during the fourth quarter of 2016 and is anticipated to be substantially complete in the third quarter of 2018. The leasing of apartment units began during the third quarter of 2017.

*Altis at Grand Central, LLC (“Altis at Grand Central”)*

In September 2017, the Company invested \$1.9 million as one of a number of investors in a joint venture with Altman to develop Altis at Grand Central, a 314 unit multifamily apartment development located in Tampa, Florida. The Company is entitled to receive 11% of the joint venture distributions until it receives its aggregate capital contribution plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. Construction commenced during the fourth quarter of 2017 and is anticipated to be substantially completed during the second quarter of 2019.

*Altis at Promenade, LLC (“Altis at Promenade”)*

In December 2017, the Company invested \$962,000 as one of a number of investors in a joint venture with Altman to develop Altis at Promenade, a 338 unit multifamily apartment development located in Tampa, Florida. The Company is entitled to receive 5% of the joint venture distributions until it receives its aggregate capital contribution plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. Construction is anticipated to be substantially complete during the third quarter of 2019.

***Single Family Developments***

*Hialeah Communities, LLC (“Bonterra – CC Homes”)*

In July 2014, the Company invested in a joint venture with CC Homes to develop Bonterra – CC Homes, a residential community comprised of 394 homes located in Hialeah, Florida. At the inception of the venture, the Company transferred property at an agreed upon value of \$15.6 million to the joint venture in exchange for cash of \$2.2 million, membership interests with an agreed upon value of \$4.9 million, and the venture’s assumption of an \$8.3 million mortgage loan on the property. The Company is entitled to receive 57% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on capital, and any distributions thereafter are shared, with the managing member receiving an increased percentage of distributions. During the year ended December 31, 2017, the joint venture closed on the sale of 192 homes, and the Company recognized \$12.1 million of equity earnings and received \$14.4 million of cash distributions from the joint venture. During the year ended December 31, 2016, the joint venture closed on the sale of 201 homes, and the Company recognized \$9.5 million of equity earnings and received \$11.5 million of cash distributions from the joint venture. As of December 31, 2017, the joint venture had closed on the sale of 393 homes, with the final home closing in January 2018.

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

In December 2013, the Company invested \$750,000 in a joint venture with New Urban Communities to develop Village at Victoria Park, a residential community comprised of 30 single-family homes located in Fort Lauderdale, Florida. The Company is entitled to receive 50% of the joint venture distributions. The project commenced construction and sales during the third quarter of 2014. During the year ended December 31, 2017, the joint venture closed on 9 homes, and the Company recognized \$940,000 of equity earnings from the joint venture. As of December 31, 2017, the joint venture had closed on the sale of 18 single-family homes and has sales contracts on eleven additional homes.

*Centra Falls, LLC (“Centra Falls”)*

In August 2015, the Company invested \$750,000 as one of a number of investors in a joint venture with Label & Co. to develop Centra Falls, a residential community comprised of 89 townhomes located in Pembroke Pines, Florida. The



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Company is entitled to receive 7.143% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. During the year ended December 31, 2017, the joint venture closed on 61 townhomes, and the Company recognized \$286,000 of equity earnings from the joint venture. The project commenced construction during the third quarter of 2015, and as of December 31, 2017, the joint venture had closed on 79 townhomes and had executed contracts on an additional 9 townhomes.

*Centra Falls II, LLC (“Centra Falls West”)*

In November 2016, the Company invested \$571,000 as one of a number of investors in a joint venture with Label & Co. to develop Centra Falls West, a residential community comprised of 61 townhomes located in Pembroke Pines, Florida. The Company is entitled to receive 7.143% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. The project commenced construction during the first quarter of 2017, and as of December 31, 2017, the joint venture had sold 48 townhomes and closings are anticipated to begin in April 2018.

*Chapel Grove Townhomes (“Chapel Grove”)*

In October 2017, the Company invested \$4.9 million as one of a number of investors in a joint venture with Label & Co. to develop Chapel Grove, a residential community comprised of 125 town homes located in Pembroke Pines, Florida. The Company is entitled to receive 46.75% of the joint venture distributions until it receives its aggregate capital contribution plus a specified return on its capital. After all investors receive a specified return and the return of their contributed capital, any distributions thereafter are shared based on earnings, with the managing member receiving an increasing percentage of distributions. The project commenced construction during the fourth quarter of 2017, and townhome closings are anticipated to commence during the fourth quarter of 2018.

*Beacon Lake Master Planned Development*

The Company has obtained entitlements to develop raw land in St. Johns County, Florida into 1,476 finished lots which will comprise the Beacon Lake Community. As part of the development, the Company is developing the land and common areas and expects to sell the finished lots to third-party homebuilders that will construct single-family homes and townhomes that are planned to range from 1,800 square feet to 4,000 square feet and priced from the high \$200,000's to the \$500,000's. Land development began in January 2017. The Company has entered into purchase agreements with homebuilders for approximately 302 finished lots in which 240 finished lots are anticipated to close during 2018, with the first finished lots closing in January 2018. The remaining 62 lots are anticipated to close during 2019. Pursuant to the asset purchase agreements with the homebuilders, upon closing of the lots by the homebuilders, a portion of the Community Development Bond is required to be repaid through lot sales proceeds and a portion of the Community Development Bond is transferred to the homebuilder.

*CCB Miramar, LLC (“Miramar – CC Homes”)*

In May 2015, the Company invested in a joint venture with two separate developers relating to the acquisition of real estate in Miramar, Florida for the construction of single-family homes. The Company contributed \$875,000 for an approximate 35% interest in the joint venture, and one of the developers contributed to the joint venture a contract to purchase the real estate. The City of Miramar approved the site plan in June 2017, and the Company contributed an additional \$350,000 to the joint venture. The joint venture is seeking to obtain entitlements for the project and anticipates closing on the acquisition of the real estate in March 2019. However, the entitlements are subject to government approval, and these approvals may not be obtained.

***Retail Developments***

*BBX/S Millenia Blvd Investments, LLC (“Gardens on Millenia Retail JV”)*

In October 2015, the Company invested in a joint venture with Stiles Development to develop a retail center on the Gardens of Millenia site in Orlando, Florida. At the inception of the venture, the Company transferred property with an agreed upon value of \$7.0 million to the joint venture in return for \$0.7 million in cash and its membership interest. The Company is entitled to receive 90% of the joint venture distributions until it receives its aggregate capital contributions plus a specified return on its capital, and any distributions thereafter are shared based on earnings, with the managing member receiving an increased percentage of the distributions. During the year ended December 31, 2017, the joint venture closed on a portion of the retail center, and the Company recognized \$3.5 million of equity earnings and received

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\$3.4 million of distributions from the joint venture. The Company anticipates that the remaining retail space will be sold in March 2018.

#### *Gardens on Millenia – Land*

Gardens on Millenia consisted of 37 acres of land acquired through foreclosure located near the Mall at Millenia in a commercial center of Orlando, Florida. During 2015, the Company obtained governmental approvals for a 300,000 square foot retail shopping center designed for multiple big-box and in-line tenants as well as two outparcel retail pads and nine rental apartment buildings totaling approximately 292 units. The Company contributed the portion of the land entitled for rental apartments to the Addison on Millenia Investment, LLC joint venture and contributed the portion of the land entitled for the retail center to the BBX/S Millenia Blvd Investments, LLC joint venture as initial capital contributions to the joint ventures. The Company developed the two outparcel retail pads and has sold one of the pads to a retailer and executed a long-term land lease on the other pad.

#### ***Mixed Use Developments***

##### *PGA Design Center Holdings, LLC (“PGA Pod B”)*

In December 2013, the Company purchased for \$6.1 million a commercial property located in PGA Station in Palm Beach Gardens, Florida, with three existing buildings consisting of 145,000 square feet of mainly furniture retail space. Subsequent to the acquisition of the property, the Company entered into the PGA Design Center Holdings, LLC joint venture with Stiles Development, which acquired a 60% interest in the joint venture for \$2.9 million in cash. The Company contributed the property (excluding certain residential development entitlements having an estimated value of \$1.2 million) to the joint venture in exchange for \$2.9 million in cash and the remaining 40% interest in the joint venture. The Company transferred the retained residential development entitlements to adjacent parcels owned by it in PGA Station (see below for a discussion of PGA PODS A&C, the other parcels owned by the Company in PGA Station). During the year ended December 31, 2016, governmental approvals were obtained to change the use of a portion of the property from retail to office. The joint venture sold one of the buildings in February 2018 and intends to sell or lease the remaining two buildings.

##### *PGA Pods A&C*

The Company acquired land through foreclosure located in PGA Station, in the city of Palm Beach Gardens, Florida in 2014. During the year ended December 31, 2016, the Company obtained governmental approvals to construct a 122 room limited-service suite hotel, a medical office building, and three 60,000 square foot office buildings on vacant tracts of land in PGA Station. The Company is the master developer of PGA station and intends to sell the developed land to third party developers. During the year ended December 31, 2017, the Company closed on the sale of the land on which the hotel and medical office buildings will be constructed by third party developers.

##### *Bayview (Sunrise and Bayview Partners, LLC)*

In June 2014, the Company invested in a joint venture with an affiliate of Procacci Development Corporation (“PDC”) with the Company and PDC each contributing \$1.8 million to the Sunrise and Bayview Partners joint venture. The joint venture acquired for \$8.0 million approximately three acres of real estate located in Fort Lauderdale, Florida. The Company and PDC each have a 50% interest in the joint venture. There is currently an approximate 84,000 square foot office building along with a convenience store and gas station on the property. The office building has low occupancy with short term leases. The convenience store's lease ends in March 2022. The Company anticipates that the property will be redeveloped into a mixed-use project in the future.

#### ***Operating Properties***

##### *Villa San Michele*

In January 2014, the Company acquired an 82-unit, 272 bed student housing project located in Tallahassee, Florida, through a contractual settlement with the borrower. Built in 2008, Villa San Michele is located in southwest Tallahassee near Tallahassee Community College. The project includes a mix of 3 bedroom and 4 bedroom 2-story townhomes, as well as a 10.6 acre parcel of vacant land. Villa San Michele met the criteria to be classified as held-for-sale as of December 31, 2017 and was ultimately sold in January 2018 for \$9.5 million.

## *RoboVault*

In April 2013, the Company acquired through foreclosure, RoboVault, a 155,000 square foot high-tech, robotic self-storage facility, featuring climate controlled, and high security storage. Located in Fort Lauderdale, Florida, RoboVault offers its clients museum quality storage for business, forensic property, and personal prized possessions, including art, wine collections, cars, gems, antiques, important documents and files, and other collectibles. Built in 2009, the facility is wind resistant up to 200 mph (a category 5 hurricane), stores items 30 feet above sea level, uses a biometric robotic transfer system, and offers 24 hour - 7 day access.

## *Legacy Assets*

Legacy assets in the Company's Consolidated Statement of Financial Condition as of December 31, 2017 consisted primarily of \$19.5 million of loans receivable, \$13.9 million of real estate held-for-investment, \$27.8 million of real estate held-for-sale, and \$7.0 million in property and equipment. PGA Pods A&C, Villa San Michele, Gardens on Millenia land, and RoboVault discussed above are included in real estate held-for-sale, real estate held-for-investment and property and equipment with a carrying value of \$11.9 million, \$1.2 million, and \$7.0 million, respectively, as of December 31, 2017.

The majority of the legacy assets do not generate income on a regular or predictable basis. As a consequence, BBX Capital Real Estate does not expect to generate significant revenue from the legacy assets until the assets are monetized through repayments or transactions involving the sale, joint venture or development of the underlying real estate. The cash flow from the monetization of legacy assets are generally invested in income producing real estate, real estate developments and real estate joint ventures, as well as in the Company's middle market operating businesses. As a result of the substantial decline in real estate values during the recession which began in 2007 - 2008, the majority of legacy non-performing commercial real estate loans and foreclosed real estate were written down in prior periods to the then prevailing estimated fair values of the collateral less costs to sell. The Company believes there has been continued improvements generally in real estate markets over the prior 3 to 4 years and believes that the prior estimated fair values of the underlying collateral securing certain of its commercial real estate loans and its real estate carrying values may be below current market values. Additionally, this recovery in the real estate market has favorably affected the financial condition of borrowers, and the Company is aggressively pursuing its borrowers and/or guarantors in order to maximize recoveries through cash settlements, loan workout arrangements or participation interests in the development or performance of the collateral. If the Company is successful in its efforts, the Company expects to recognize gains to the extent that the amounts it collects exceed the carrying value of its commercial loans and foreclosed real estate as well as recoveries from the portfolio of BankAtlantic charged-off loans.

## **Middle Market Division**

### *Overview*

The Middle Market Division invests in operating companies and businesses in diverse industries with revenues between \$5 million and \$100 million, currently including companies in the home improvement, confectionery, and retail restaurant industries.

### *Strategy*

The business and operating strategy for the portfolio of companies in the Middle Market Division focuses on:

- Recruiting and retaining talented managers to operate its businesses;
- Monitoring financial and operational performance, while supporting management in implementation of their strategic plans and goals; and
- Making opportunistic acquisitions in diverse industries.

### *Portfolio Companies*

#### *Renin*

Renin is engaged in the design, manufacture, and distribution of products for the home improvement industry, including specialty doors, systems and hardware, and home décor products, and operates through its headquarters in Canada and two manufacturing and distribution facilities in the United States and Canada. Following the Company's acquisition of

Renin in 2013, Renin, which historically generated operating losses, has become profitable, generating trade sales of \$69.6 million and income before taxes of \$2.2 million for the year ended December 31, 2017.

Renin's products include sliding bypass and bifold closet doors, room dividers, including barn-style doors and hardware, fabricated glass and home décor products. While the majority of Renin's products are manufactured at its facilities located in the United States and Canada, a portion of its products are sourced from suppliers in China. Renin products are sold through three distinct channels in North America: retail, commercial, and direct in the metropolitan Toronto area (the "Toronto Area"). Retail currently comprises over 60% of Renin's gross sales and includes big box retail customers such as Lowes and Home Depot. Commercial, which includes original equipment manufacturers and fabricators across North America, comprises approximately 25% of Renin's sales, while the Toronto Area, where Renin operates an installation business, generates the remaining sales.

#### *BBX Sweet Holdings*

BBX Sweet Holdings is engaged in the acquisition and management of operating businesses in the confectionery industry, including manufacturers, wholesalers, and retailers of chocolate, hard candy, and other confectionery products. Many of these operating businesses are in early development stages and currently generate operating losses.

In June 2017, BBX Sweet Holdings acquired IT'SUGAR, a specialty candy retailer with 95 retail locations in 26 states and Washington, DC, for a purchase price of \$58.4 million, net of cash acquired. IT'SUGAR's products include bulk candy, giant candy packaging, and novelty items that are purchased and sold at its retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations across the United States. As a result of BBX Sweet Holdings' plans to further expand IT'SUGAR by opening new retail locations, including six to seven locations during 2018. IT'SUGAR is not expected to generate net income in 2018 due to the expected costs of opening new stores and related ongoing depreciation expenses. However, the acquisition of IT'SUGAR is expected to be cash flow accretive to the Company and has significantly expanded BBX Sweet Holdings' retail footprint in the confectionery industry.

BBX Sweet Holdings' other existing operations include businesses that manufacture confectionery products for wholesalers, big box chains, retailers, and corporate customers. These confectionery products include fine chocolates, chocolate drenched candies, tropical snacks, and hard candies, all of which are made at facilities located in Utah and Florida. While a majority of BBX Sweet Holdings' products are sold to retailers or distributors, its fine chocolates are also sold directly to consumers at its eight Hoffman's Chocolates retail locations in South Florida.

Subsequent to December 31, 2017, the Company commenced the process of exiting its manufacturing facility in Utah, and it is anticipated that BBX Sweet Holdings will incur various costs in connection with this initiative, including severance costs for various employees and the recognition of lease obligations. The Company is continuing to evaluate the operations of certain other acquired operating businesses in the BBX Sweet Holdings segment, and to the extent that it decides to exit these operations, BBX Sweet Holdings may recognize impairment charges and incur additional costs in future periods.

#### *MOD Franchise Operations*

In 2016, the Company entered into an exclusive Florida area development agreement with a subsidiary of MOD with a goal of developing up to 60 MOD franchised pizza restaurant locations throughout Florida over the next six years. The Company opened two restaurant locations during the fourth quarter of 2017 and expects to open eight to twelve additional locations in 2018. The Company's MOD franchised pizza restaurants operate in the fast casual dining industry and sell custom artisan style pizzas, salads and beverages. These restaurants charge a set price per pizza or salad, which allows customers to choose any toppings for their pizza or salad, and the product is made-to-order through an assembly-line process in the restaurant.

## **Employees**

Management believes that its relations with its employees are satisfactory. The Company currently maintains employee benefit programs that are considered by management to be generally competitive with programs provided by other major employers in its markets.

As of December 31, 2017, approximately 29 of Bluegreen Vacations employees were covered by collective bargaining agreements which address the terms and conditions of their employment, including pay rates, working hours, certain employee benefits and procedures for settlement of labor disputes. Further, approximately 36 installers of a Canadian



division of Renin are unionized and are currently negotiating a collective bargaining agreement. Employees at Renin's Brampton Plant voted against unionization; however, the union filed an Unfair Labour Practice with the Ontario Labour Board which remains pending.

As of December 31, 2017, the Company and its subsidiaries had approximately 6,914 employees, including 5,412 employees at Bluegreen.

## **Competition**

The industries in which the Company conducts business are very competitive, and we also face substantial competition with respect to our investment activities from real estate developers and building construction companies, and from private equity funds, hedge funds and other institutional investors. The Company competes with institutions and entities that are larger and have greater resources than the resources available to the Company. Four unaffiliated companies in the candy and confectionery industry currently account for approximately 70% of the industry's revenues reflecting significant concentration in the industry in which Sweet Holdings operates. Renin's products are sold mainly to large retailers as well as to housing and building construction companies. The industry in which Renin operates experiences intense competition from foreign importers and producers. MOD competes with established pizza brands, new entrants into the fast casual pizza category, especially in Florida, and for prime locations, with other operators.

Bluegreen competes with various high profile and well-established firms, many of which have greater liquidity and financial resources than Bluegreen. Many of the world's most recognized lodging, hospitality and entertainment companies develop and sell VOIs in resort properties. Major companies that now operate, or are developing or planning to develop, vacation ownership resorts directly or through subsidiaries include Marriott Vacations Worldwide Corporation, the Walt Disney Company, Hilton Grand Vacations, Wyndham Vacation Ownership, ILG and Diamond Resorts International. Bluegreen also competes with numerous smaller owners and operators of vacation ownership resorts. In Bluegreen's fee-based services business, Bluegreen typically competes with Hilton Grand Vacations and Wyndham Vacation Ownership. In addition to competing for sales leads, prospects and fee-based service clients, Bluegreen competes with other VOI developers for marketing, sales and resort management personnel.

## **Regulation**

As a public company, we are subject to federal securities laws, including the Securities Exchange Act of 1934. In addition, the companies in which we hold investments are subject to federal, state and local laws and regulations generally applicable to their respective businesses.

### ***Bluegreen***

The vacation ownership and real estate industries are subject to extensive and complex governmental regulation. Bluegreen is subject to various federal, state, local and foreign environmental, zoning, consumer protection and other laws, rules and regulations, including those regarding the acquisition, marketing and sale of real estate and VOIs, as well as various aspects of our financing operations. At the federal level, the Federal Trade Commission has taken an active regulatory role through the Federal Trade Commission Act, which prohibits unfair or deceptive acts or unfair competition in interstate commerce. In addition, many states have what are known as "Little FTC Acts" that apply to intrastate activity.

In addition to the laws applicable to Bluegreen's customer financing and other operations discussed below, Bluegreen is or may be subject to the Fair Housing Act and various other federal laws, rules and regulations. Bluegreen is also subject to various foreign laws with respect to La Cabana Beach Resort and Casino in Oranjestad, Aruba and Blue Water Resort at Cable Beach in Nassau, Bahamas. Additionally, in the future, VOIs may be deemed to be securities subject to regulation as such, which could have a material adverse effect on its business. The cost of complying with applicable laws and regulations may be significant, and Bluegreen may not maintain compliance at all times with all applicable laws, including those discussed below. Any failure to comply with current or future applicable laws or regulations could have a material adverse effect on Bluegreen.

Bluegreen's vacation ownership resorts are subject to various regulatory requirements, including state and local approvals. The laws of most states require Bluegreen to file a detailed offering statement describing its business and all material aspects of the project and sale of VOIs with a designated state authority. In addition, when required by state law, Bluegreen provides its VOI purchasers with a public disclosure statement that contains, among other items, detailed information about the applicable resort, the surrounding vicinity and the purchaser's rights and obligations as a VOI





owner. Laws in each state where Bluegreen sells VOIs generally grant the purchaser of a VOI the right to cancel a purchase contract at any time within a specified rescission period following the earlier of the date the contract was signed or the date the purchaser received the last of the documents required to be provided by Bluegreen. Most states have other laws that regulate Bluegreen's activities, including real estate licensure requirements, sellers of travel licensure requirements, anti-fraud laws, telemarketing laws, prize, gift and sweepstakes laws, and labor laws.

Under various federal, state and local laws, ordinances and regulations, the owner of real property is generally liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, the property, as well as related costs of investigation and property damage. These laws often impose liability without regard to whether the property owner knew of the presence of such hazardous or toxic substances. The presence of these substances, or the failure to properly remediate these substances, may adversely affect a property owner's ability to sell or lease a property or to borrow using the real property as collateral. Other federal and state laws require the removal or encapsulation of asbestos-containing material when such material is in poor condition or in the event of construction, demolition, remodeling or renovation. Other statutes may require the removal of underground storage tanks. Noncompliance with any of these and other environmental, health or safety requirements may result in the need to cease or alter operations or development at a property. In addition, certain state and local laws may impose liability on property developers with respect to construction defects discovered on the property or repairs made by future owners of such property. Under these laws, Bluegreen may be required to pay for repairs to the developed property. The development, management and operation of its resorts are also subject to the Americans with Disabilities Act.

Bluegreen's marketing, sales and customer financing activities are also subject to extensive regulation, which can include, but is not limited to: the Truth-in-Lending Act and Regulation Z; the Fair Housing Act; the Fair Debt Collection Practices Act; the Equal Credit Opportunity Act and Regulation B; the Electronic Funds Transfer Act and Regulation E; the Home Mortgage Disclosure Act and Regulation C; the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("the Dodd-Frank Act"); Unfair or Deceptive Acts or Practices and Regulation AA; the Patriot Act; the Right to Financial Privacy Act; the Gramm-Leach-Bliley Act; the Fair and Accurate Credit Transactions Act; and anti-money laundering laws. The Dodd-Frank Act contains significant changes to the regulation of financial institutions and related entities, including the creation of new federal regulatory agencies, and the granting of additional authorities and responsibilities to existing regulatory agencies to identify and address emerging systemic risks posed by the activities of financial services firms. The Consumer Financial Protection Bureau (the "CFPB") is one such regulatory agency created pursuant to the Dodd-Frank Act. The CFPB's mandate is to protect consumers by carrying out federal consumer financial laws and to publish rules and forms that facilitate understanding of the financial implications of the transactions consumers enter into. Consistent with this mission, the CFPB amended Regulations X and Z to establish new disclosure requirements and forms pursuant to Regulation Z for most closed-end consumer credit transactions secured by real property. The practical impact upon Bluegreen is the requirement to use a new Integrated Mortgage Disclosure Statement in lieu of the separate Good Faith Estimate and Closing Statement. No assurance can be given that Bluegreen will be in compliance with the Dodd-Frank Act or other applicable laws or that compliance with these rules or the promulgation of additional standards by the CFPB will not have an adverse impact on its business. In addition, Bluegreen's term securitization transactions must comply with certain requirements of the Dodd-Frank Act, including risk retention rules.

Bluegreen's management of, and dealings with, HOAs, including the purchase of defaulted inventory from HOAs in connection with secondary market arrangements, is subject to state laws and resort rules and regulations, including those with respect to the establishment of budgets and expenditures, rule-making and the imposition of maintenance assessments.

During the year ended December 31, 2017, approximately 6% of Bluegreen's VOI sales were generated by marketing to prospective purchasers obtained through internal and third-party vendors' outbound telemarketing efforts. Bluegreen attempts to monitor the actions and legal and regulatory compliance of these third parties, but there are risks associated with Bluegreen's and such third parties' telemarketing efforts. In recent years, state and federal regulators have increased regulations and enforcement actions related to telemarketing operations, including requiring the adherence to state "do not call" laws. In addition, the Federal Trade Commission and Federal Communications Commission have implemented national "do not call" legislation. These measures have significantly increased the costs associated with telemarketing. While Bluegreen continues to be subject to telemarketing risks and potential liability, Bluegreen believes its exposure to adverse impacts from this heightened telemarketing legislation and enforcement may be partially mitigated by the use of "permission marketing," whereby Bluegreen obtains the permission of prospective purchasers to contact them in the future, thereby exempting such calls from the various "do not call" laws. Bluegreen has also implemented policies and procedures that it believes will help reduce the possibility that individuals who have requested to be placed on a "do not call" list are not contacted, but such policies and procedures may not be effective in ensuring strict regulatory compliance.

To date, no material fines or penalties have been imposed on Bluegreen as a result of telemarketing operations. However, from time to time, Bluegreen has been the subject of proceedings for violation of the "do not call" laws and other state



laws applicable to the marketing and sale of VOIs. Bluegreen may not successfully be able to effectively market to prospective purchasers through telemarketing operations or to successfully develop alternative sources of identifying and marketing to prospective purchasers of its VOI products at acceptable costs. In addition, Bluegreen may increasingly face non-compliance issues or additional costs of compliance, which may adversely impact its results and operations in the future.

See also “Item 1A – Risk Factors” for a description of risks with respect to regulatory compliance.

See also “Item 3 - Legal Proceedings” for a description of litigation that was brought against Bluegreen and Choice Hotels in January 2018 relating to telemarketing sales activities and a description of cease and desist letters received by Bluegreen from attorney’s purporting to represent certain VOI owners.

### **Seasonality**

Bluegreen has historically experienced, and expect to continue to experience, seasonal fluctuations in its revenues and results of operations. This seasonality has resulted, and may continue to result, in fluctuations in Bluegreen’s quarterly operating results. Although more potential customers typically visit Bluegreen’s sales offices during the quarters ending in June and September, Bluegreen’s ultimate recognition of the resulting sales during these periods may be delayed due to down payment requirements for recognition of real estate sales under GAAP or due to the timing of development and required use of the percentage-of-completion method of accounting.

BBX Sweet Holdings is subject to seasonal fluctuations in trade sales, which cause fluctuations in quarterly results of operations. Historically, the strongest wholesale and retail trade sales have occurred during the fourth quarter, which includes the Christmas holiday, and during the third quarter when families travel on vacation.

## **ITEM 1A. RISK FACTORS**

*We are subject to various risks and uncertainties relating to or arising out of the nature of our businesses, operations and investments, and general business, economic, financing, legal, regulatory, and other factors and conditions. New risk factors emerge from time to time, and it is not possible for management to either predict all risk factors or assess all potential impacts of any factor, or combination of factors, on BBX Capital Corporation or its subsidiaries, including with respect to their operations, results and financial condition.*

### ***BBX Capital relies on dividends from Bluegreen to fund operations.***

BBX Capital has relied and continues to rely primarily on dividends from Bluegreen in order to fund its operations and investments. Dividends from Bluegreen may not be paid to BBX Capital in the amounts previously paid or when anticipated or at all. Bluegreen paid dividends totaling \$40.0 million during 2017 and \$70.0 million during 2016. The payment of dividends by Bluegreen is subject to compliance with financial covenants under its credit facilities and certain of Bluegreen's credit facilities contain terms which may limit the payment of cash dividends without the lender's consent or waiver. Additionally, the payment of dividends by Bluegreen will be at the discretion of Bluegreen's board of directors. Decisions with respect to dividends by Bluegreen are generally based on, among other things, Bluegreen's operating results, financial condition, cash flow, and liquidity needs. Dividend payments to BBX Capital by any of its subsidiaries, including Bluegreen, could, in certain circumstances, be subject to claims made by creditors of such subsidiary.

If cash flow is not sufficient to fund BBX Capital's liquidity needs or BBX Capital otherwise determines it is advisable to do so, BBX Capital might seek to liquidate some of its investments or seek to fund its operations with the proceeds of additional equity or debt financing. Such financing may not be available on commercially reasonable terms, if at all, and if BBX Capital chooses to liquidate its investments, it may be forced to do so at depressed prices.

### ***BBX Capital's acquisitions may reduce earnings, require it to obtain additional financing and expose it to additional risks.***

BBX Capital's business strategy includes investments in or acquisitions of operating companies, such as its acquisition of Renin and the acquisitions of businesses by BBX Sweet Holdings in the confectionery industry. BBX Capital may also seek to make opportunistic investments outside of its existing portfolio. Some of these investments and acquisitions may be material. While BBX Capital is seeking investments and acquisitions primarily in companies that provide opportunities for growth, it may not be successful in identifying these opportunities. Investments or acquisitions that it completes may not prove to be successful or, even if successful, may not initially generate income, or may generate income on an irregular basis or over a long time period. Accordingly, our results of operations may vary significantly on a quarterly basis and from year to year as a result of acquisitions. Acquisitions and investments will also expose BBX Capital, or increase BBX Capital's exposure in the case of acquisitions of or additional investments in its portfolio companies, to the risks of any business acquired or invested in. Acquisitions entail numerous risks, including:

- Difficulties in integrating and assimilating acquired management, acquired company founders, and operations;
- Risks associated with achieving profitability;
- The incurrence of significant due diligence expenses relating to acquisitions, including with respect to those that are not completed;
- Unforeseen expenses and losses;
- Risks associated with entering new markets in which it has no or limited prior experience;
- The potential loss of key employees or founders of acquired organizations; and
- Risks associated with transferred assets and liabilities.

BBX Capital may not be able to acquire or profitably manage additional businesses, or to integrate successfully any acquired businesses, including Renin, MOD restaurants and the BBX Sweet Holdings' operating businesses, without substantial costs, delays or other operational or financial difficulties, including difficulties in integrating information systems and personnel and establishing control environment processes across acquired businesses. The failure to do so could have a material adverse effect on its business, financial condition and results of operations. In addition, to

the extent that operating businesses are acquired outside the United States or the State of Florida, there will be additional risks related to compliance with foreign regulations and laws including tax laws, labor laws, currency fluctuations and geographic economic conditions.

In addition, there is significant competition for investments and acquisitions, which could increase the costs associated with the investment or acquisition. Substantial costs are incurred in connection with the evaluation of potential acquisition and investment opportunities whether or not the acquisition or investment is ultimately consummated. Further, funding such investments or acquisitions may rely on additional debt or equity financing, which will subject BBX Capital to the risks and uncertainties described in these risk factors with respect to those activities in the immediately following risk factors. If BBX Capital requires additional financing in the future, the financing may not be available when needed or on favorable terms, if at all. Additionally, BBX Capital does not intend to seek shareholder approval of any investments or acquisitions unless required by law or regulation, or by BBX Capital's Amended and Restated Articles of Incorporation or Bylaws.

In addition, BBX Capital from time to time may consider transactions involving the sale of its subsidiaries or investments or other transactions which would result in a decrease in BBX Capital's ownership interest in its subsidiaries, and there is no assurance that any such transactions, if pursued and consummated, will generate a profit or otherwise be advantageous to BBX Capital.

***We may issue additional securities and incur additional indebtedness at BBX Capital or its subsidiaries.***

BBX Capital may in the future seek to raise funds through the issuance of debt or equity securities. There is generally no restriction on BBX Capital's ability to issue debt or equity securities which are pari passu or have a preference over its Class A Common Stock and Class B Common Stock. Authorized but unissued shares of BBX Capital's capital stock are available for issuance from time to time at the discretion of BBX Capital's board of directors, and any such issuance may be dilutive to BBX Capital's shareholders.

Further, BBX Capital and its subsidiaries have in the past and may in the future incur significant amounts of debt, including at Bluegreen. Any indebtedness, including indebtedness incurred in the future could have several important effects on BBX Capital or its subsidiaries, including, without limitation, that BBX Capital or its subsidiaries may be required to use available cash for the payment of principal and interest due on its debt and that the outstanding indebtedness and leverage at BBX Capital or its subsidiaries will impact liquidity, and any negative changes in general economic and industry conditions will increase such impact.

***Bluegreen is subject to the business, financial and operating risks inherent to the vacation ownership industry, any of which could adversely impact its business, prospects and results.***

Bluegreen is subject to a number of business, financial and operating risks inherent to the vacation ownership industry, including, without limitation:

- Significant competition from other vacation ownership businesses and hospitality providers;
- Market and/or consumer perception of vacation ownership companies and the industry in general;
- Increases in operating and other costs (as a result of inflation or otherwise), including marketing costs, employee compensation and benefits, interest expense and insurance, which may not be offset by price or fee increases in Bluegreen's business;
- Changes in taxes and governmental regulations, including those that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- The costs and efforts associated with complying with applicable laws and regulations;
- Risks related to the development or acquisition of resorts, including delays in, or cancellations of, planned or future resort development or acquisition activities;
- Shortages of labor or labor disruptions;
- The availability and cost of capital necessary for Bluegreen and third-party developers with whom Bluegreen does business to fund investments, capital expenditures and service debt obligations;
- Bluegreen's ability to securitize the receivables that it originates in connection with VOI sales;
- The financial condition of third-party developers with whom Bluegreen does business;
- Relationships with third-party developers, Bluegreen's Vacation Club members and HOAs;
- Changes in the supply and demand for products and services;
- Private resales of VOIs and the sale of VOIs in the secondary market; and

- Unlawful or deceptive third-party VOI resale, cease and desist, or vacation package sales schemes, and reputational risk associated therewith.

Any of these factors could increase costs, limit or reduce the prices Bluegreen is able to charge for its products and services or Bluegreen's ability to develop or acquire new resorts or source VOI supply from third parties, or otherwise adversely impact Bluegreen's business, prospects or results.

***Bluegreen's business and operations, including its ability to market VOIs, may be adversely affected by general economic conditions and the availability of financing.***

Bluegreen's business is subject to risks related to general economic and industry conditions and trends. Bluegreen's results, operations and financial condition may be adversely affected by unfavorable general economic and industry conditions, such as high unemployment rates and job insecurity, declines in discretionary spending, declines in real estate values and the occurrence of geopolitical conflicts, including if these or other factors adversely impact the availability of financing for Bluegreen or Bluegreen's customers or the ability of Bluegreen's customers' to otherwise pay amounts owed under notes receivable. Further, adverse changes affecting the vacation ownership industry, such as an oversupply of vacation ownership units, a reduction in demand for such units, changes in travel and other consumer preferences, demographic and vacation patterns, changes in governmental regulation of the industry, imposition of increased taxes by governmental authorities, the declaration of bankruptcy and/or credit defaults by other vacation ownership companies and negative publicity for the industry, could also have a material adverse effect on Bluegreen's business. In addition, Bluegreen's operations and results may be negatively impacted if Bluegreen is unable to update its business strategy over time and from time to time in response to changing economic and industry conditions.

***Bluegreen may not be able to develop or acquire VOI inventory or enter into and maintain fee-based service agreements or other arrangements to source VOI inventory, which may cause its business and results to be adversely impacted.***

In addition to developed VOI sales, Bluegreen sources VOIs as part of its capital-light business strategy through fee-based service agreements with third-party developers and through JIT and secondary market arrangements. If Bluegreen is unable to develop or acquire resorts at the levels or in the time frame anticipated, or is unsuccessful in entering into agreements with third-party developers or others to source VOI inventory in connection with its capital-light business strategy, Bluegreen may experience a decline in VOI supply, which could result in a decrease in its revenues. In addition, a decline in VOI supply could result in a decrease of financing revenues that are generated when VOIs are sold and fee and rental revenues that are generated by Bluegreen's management services.

***Bluegreen's business and properties are subject to extensive federal, state and local laws, regulations and policies. Changes in these laws, regulations and policies, as well as the cost of maintaining compliance with new or existing laws, regulations and policies and the imposition of additional taxes on operations, could adversely affect Bluegreen's business. In addition, results of audits of its tax returns or those of its subsidiaries may have a material adverse impact on Bluegreen's financial condition.***

The federal government and the state and local jurisdictions in which Bluegreen operates have enacted extensive regulations that affect the manner in which Bluegreen markets and sells VOIs and conducts its other business operations. In addition, many states have adopted specific laws and regulations regarding the sale of VOIs. Many states, including Florida and South Carolina, where certain of Bluegreen's resorts are located, extensively regulate the creation and management of timeshare resorts, the marketing and sale of timeshare properties, the escrow of purchaser funds prior to the completion of construction and closing, the content and use of advertising materials and promotional offers, the delivery of an offering memorandum and the creation and operation of exchange programs and multi-site timeshare plan reservation systems. Moreover, with regard to sales conducted in South Carolina, the closing of real estate and mortgage loan transactions must be conducted under the supervision of an attorney licensed in South Carolina and otherwise in accordance with South Carolina's Time Sharing Transaction Procedures Act. Most states also have other laws that are applicable to Bluegreen's activities, such as timeshare project registration laws, real estate licensure laws, mortgage licensure laws, sellers of travel licensure laws, anti-fraud laws, consumer protection laws, telemarketing laws, prize, gift and sweepstakes laws, and consumer credit laws. Bluegreen's management of, and dealings with, HOAs, including Bluegreen's purchase of defaulted inventory from HOAs in connection with its secondary market sales, is also subject to state laws and resort rules and regulations, including those with respect to the establishment of budgets and expenditures, rule-making, and the imposition of maintenance assessments.

Bluegreen currently is authorized to market and sell VOIs in all locations at which its marketing and sales are conducted. If Bluegreen's agents or employees violate applicable regulations or licensing requirements, their acts or omissions could cause the states where the violations occurred to revoke or refuse to renew Bluegreen's licenses, render Bluegreen's sales contracts void or voidable, or impose fines on Bluegreen based on past activities.

In addition, the federal government and the state and local jurisdictions in which Bluegreen conducts business have generally enacted extensive regulations relating to direct marketing and telemarketing, including the federal government's national "do not call" list, the making of marketing and related calls to cell phone users, a significant development in light of cell phone usage rapidly becoming the primary method of communication, the Telemarketing Sales Rule, the Telephone Consumer Protection Act and the CAN-SPAM Act of 2003. These regulations, as well as international data protection laws, have impacted Bluegreen's marketing of VOIs. While Bluegreen has taken steps designed to ensure compliance with these new applicable regulations, these steps have increased and are expected to continue to increase Bluegreen's marketing costs and may not prevent failures in compliance. Additionally, adoption of new state or federal laws regulating marketing and solicitation, and changes to existing laws, could adversely affect current or planned marketing activities and cause Bluegreen to change its marketing strategy. If this occurs, Bluegreen may not be able to develop adequate alternative marketing strategies, which could affect the amount and timing of its VOI sales. Bluegreen cannot predict the impact that these legislative initiatives or any other legislative measures that may be proposed or enacted in the future may have on Bluegreen's marketing strategies and results. Further, from time to time, complaints are filed against Bluegreen by individuals claiming that they received calls in violation of applicable regulations. See "Item 3 – Legal Proceedings" for a description of litigation brought against Bluegreen and Choice Hotels in January 2018 related to Bluegreen's telemarketing sales activities.

Most states have taxed VOIs as real estate, imposing property taxes that are billed to the respective HOAs that maintain the related resorts and have not sought to impose sales tax upon the sale of the VOI or accommodations tax upon the use of the VOI. From time to time, however, various states have attempted to promulgate new laws or apply existing laws impacting the taxation of VOIs to require that sales or accommodations taxes be collected. Should new state or local laws be implemented or interpreted to impose sales or accommodations taxes on VOIs, Bluegreen's business could be materially adversely affected.

From time to time, consumers file complaints against Bluegreen in the ordinary course of Bluegreen's business. Bluegreen could be required to incur significant costs to resolve these complaints or enter into consents with regulators regarding its activities, including that it may be required to refund all or a portion of the purchase price paid by the customer for the VOI. Bluegreen may not remain in compliance with all applicable federal, state and local laws and regulations, and violations of applicable laws may have adverse implications on Bluegreen, including negative publicity, potential litigation and regulatory sanctions. The expense, negative publicity and potential sanctions associated with any failure to comply with applicable laws or regulations could have a material adverse effect on Bluegreen's results of operations or financial position.

Under the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder (collectively, the "ADA"), all public accommodations, including properties, must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers or other renovations, and non-compliance could result in the imposition of fines or penalties, or awards of damages, against Bluegreen. Bluegreen's properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. Further, various laws govern resort management activities, including laws and regulations regarding community association management, public lodging, food and beverage services, liquor licensing, labor, employment, health care, health and safety, accessibility, discrimination, immigration, and the environment (including climate change).

Bluegreen's lending activities are also subject to a number of laws and regulations, including laws and regulations related to consumer loans, retail installment contracts, mortgage lending, fair debt collection and credit reporting practices, consumer collection practices, contacting debtors by telephone, mortgage disclosure, lender licenses and money laundering. The Consumer Finance Protection Bureau, created under the Dodd-Frank Act, has emphasized new regulatory focus on areas of business such as consumer mortgage servicing and debt collection, credit reporting and consumer financial disclosures, all of which affect the manner in which Bluegreen may provide financing to the purchasers of VOIs and conduct lending and loan servicing operations.

In addition, VOIs may in the future be deemed to be securities under federal or state law and therefore subject to applicable securities regulation, which could have a material adverse effect on Bluegreen due to, among other things, the cost of compliance with such regulations.





***The vacation ownership and hospitality industries are highly competitive, and Bluegreen may not be able to compete successfully.***

Bluegreen competes with various high profile and well-established operators, many of which have greater liquidity and financial resources than Bluegreen. Many of the world's most recognized lodging, hospitality and entertainment companies develop and sell timeshare units or VOIs in resort properties. Bluegreen also competes with numerous smaller owners and operators of vacation ownership resorts and also faces competition from alternative lodging options available to consumers through both traditional methods of delivery as well as new web portals and applications, including private rentals of homes or apartments or condominium units, which have increased in popularity in recent years. Bluegreen's ability to remain competitive and to attract and retain customers depends on its customers' satisfaction with its products and services as well as on distinguishing the quality, value, and efficiency of its products and services from those offered by its competitors. Customer dissatisfaction with experiences at its resorts or otherwise as a member of the Bluegreen Vacation Club owner, including due to an inability to use points for desired stays, could result in negative publicity and/or a decrease in sales, or otherwise adversely impact Bluegreen's ability to successfully compete in the vacation ownership and hospitality industries. Bluegreen may not be able to timely and sufficiently identify and remediate the cause of customer dissatisfaction. Any of these events could materially and adversely impact Bluegreen's operating results and financial condition.

***Bluegreen's business and profitability may be impacted if financing is not available on favorable terms, or at all.***

In connection with sales of VOIs, Bluegreen generally offers financing to the purchaser of up to 90% of the purchase price of the VOI. However, Bluegreen incurs selling, marketing and administrative cash expenses prior to and concurrent with the sale. These costs, along with the cost of the underlying VOI, generally exceed the down payment Bluegreen receives at the time of the sale. Accordingly, Bluegreen's ability to borrow against or sell its notes receivable has historically been a critical factor in Bluegreen's continued liquidity, and Bluegreen therefore has depended on funds from its credit facilities and securitization transactions to finance its operations. If Bluegreen's pledged receivables facilities terminate or expire and Bluegreen is unable to extend them or replace them with comparable facilities, or if Bluegreen is unable to continue to participate in securitization-type transactions and "warehouse" facilities on acceptable terms, Bluegreen's liquidity, cash flow and profitability would be materially and adversely affected. Credit market disruptions have in the past adversely impacted the willingness of banks and other finance companies to provide "warehouse" lines of credit for VOI notes receivable and resulted from time to time in the term securitization market being unavailable. Future credit market disruptions may have similar effects or otherwise make obtaining additional and replacement external sources of liquidity more difficult and costly.

In addition, financing for real estate acquisition and development and the capital markets for corporate debt is cyclical. While Bluegreen has increased its focus on expanding its fee-based service business and encouraging higher down payments in connection with sales, there is no assurance that these initiatives will enhance Bluegreen's financial position or otherwise be successful in the long term.

Bluegreen anticipates that it will continue to seek and use external sources of liquidity, including funds that Bluegreen obtains pursuant to additional borrowings under its existing credit facilities, under credit facilities that Bluegreen may obtain in the future, under securitizations in which Bluegreen may participate in the future or pursuant to other borrowing arrangements, to:

- Support Bluegreen's operations and, subject to declaration by its board of directors and contractual limitations, including limitations contained in its credit facilities, pay dividends;
- Finance the acquisition and development of VOI inventory or property and equipment;
- Finance a substantial percentage of Bluegreen's sales; and
- Satisfy Bluegreen's debt and other obligations.

Bluegreen's ability to service or refinance its indebtedness or to obtain additional financing (including its ability to consummate future term securitizations) depends on the credit markets and on Bluegreen's future performance, which is subject to a number of factors, including the success of Bluegreen's business, results of operations, leverage, financial condition and business prospects, prevailing interest rates, general economic conditions, the performance of Bluegreen's receivables portfolio, and perceptions about the vacation ownership and real estate industries.

As of December 31, 2017, Bluegreen had \$19.9 million of indebtedness scheduled to become due during 2018. Historically, much of Bluegreen's debt has been renewed or refinanced in the ordinary course of business. However, there is no assurance that Bluegreen will in the future be able to obtain sufficient external sources of liquidity on



attractive terms, or at all, or otherwise renew, extend or refinance all or any portion of its outstanding debt. Any of these occurrences may have a material adverse impact on Bluegreen's liquidity and financial condition.

In addition, Bluegreen has and intends to continue to enter into arrangements with third-party developers pursuant to which it will sell their VOI inventory for a fee. These arrangements enable Bluegreen to generate fees from the marketing and sales services provided, and in certain cases from provisions of management services, without requiring it to fund development and acquisition costs. If these third-party developers are not able to obtain or maintain financing necessary for their development activities or other operations, Bluegreen may not be able to enter into these fee-based arrangements or have access to their VOI inventory when anticipated, which would adversely impact results.

***Bluegreen would suffer substantial losses and its liquidity position could be adversely impacted if an increasing number of customers to whom Bluegreen provides financing default on their obligations.***

Adverse conditions in the mortgage industry, including credit availability, borrowers' financial profiles, prepayment rates and other factors, including those outside Bluegreen's control, may increase the default rates Bluegreen experiences or otherwise negatively impact the performance of its notes receivable. In addition, in recent years, external parties have been discouraging certain borrowers from staying current on their note payments. Although in many cases Bluegreen may have recourse against a buyer for the unpaid purchase price, certain states have laws that limit Bluegreen's ability to recover personal judgments against customers who have defaulted on their loans or Bluegreen may determine that the cost of doing so may not be justified. Historically, Bluegreen has generally not pursued such recourse against its customers. In the case of Bluegreen's notes receivable secured by VOIs, if Bluegreen is unable to collect the defaulted amount due, Bluegreen traditionally has terminated the customer's interest in the Bluegreen Vacation Club and then remarketed the recovered VOI. Irrespective of Bluegreen's remedy in the event of a default, Bluegreen cannot recover the marketing, selling and administrative costs associated with the original sale, and such costs generally exceed the cash received by Bluegreen from the buyer at the time of the sale. In addition, Bluegreen will need to incur such costs again in order to resell the VOI. Bluegreen updates its estimate of such future losses each quarter, and consequently, the charge against sales in a particular period may be impacted, favorably or unfavorably, by a change in expected losses related to notes originated in prior periods. In addition, defaults may cause buyers of, or lenders whose loans are secured by, Bluegreen's VOI notes receivable to reduce the amount of availability or advance rates under receivables purchase and credit facilities, or to result in an increase the interest costs associated with such facilities. In such an event, the cost of financing may increase, and Bluegreen may not be able to secure replacement or alternative financing on terms acceptable to Bluegreen, if at all, which would adversely affect Bluegreen's earnings, financial position and liquidity.

As described above, Bluegreen's VOI notes receivable financing facilities could be adversely affected if a particular VOI note receivable pool fails to meet certain performance ratios, which could occur if the default rate or other credit metrics of the underlying VOI notes receivable deteriorate. In addition, if Bluegreen offers financing to purchasers of VOIs with terms longer than those generally offered in the industry, Bluegreen may not be able to securitize those VOI financing receivables. Bluegreen's ability to sell securities backed by Bluegreen's VOI notes receivable depends on the continued ability and willingness of capital market participants to invest in such securities. Asset-backed securities issued in Bluegreen's term securitization transactions could be downgraded by credit agencies in the future. If a downgrade occurs, Bluegreen's ability to complete other securitization transactions on acceptable terms or at all could be jeopardized, and Bluegreen could be forced to rely on other potentially more expensive and less attractive funding sources, to the extent available. Similarly, if other operators of vacation ownership products were to experience significant financial difficulties, or if the vacation ownership industry as a whole were to contract, Bluegreen could experience difficulty in securing funding on acceptable terms. The occurrence of any of the foregoing could adversely impact Bluegreen's business and results, including, without limitation, by reducing the amount of financing Bluegreen is able to provide to VOI purchasers, which in turn may result in a reduction in VOI sales.

In addition, under the terms of Bluegreen's pledge and receivable sale facilities, Bluegreen may be required, under certain circumstances, to replace receivables or to pay down the loan to within permitted loan-to-value ratios. Additionally, the terms of Bluegreen's securitization transactions require Bluegreen to repurchase or replace loans if Bluegreen breached any of the representations and warranties Bluegreen made at the time Bluegreen sold the receivables. These agreements also often include terms providing that, in the event of defaults or delinquencies by customers in excess of stated thresholds, or if other performance thresholds are not met, substantially all of Bluegreen's cash flow from its retained interest in the receivable portfolios sold will be required to be paid to the parties who purchased the receivables from Bluegreen.



***Bluegreen's existing indebtedness, or indebtedness that it may incur in the future, could adversely impact its financial condition and results of operations, and the terms of Bluegreen's indebtedness may limit its activities.***

Bluegreen's level of debt and debt service requirements have several important effects on Bluegreen's operations. Significant debt service cash requirements reduce the funds available for operations and future business opportunities and increase Bluegreen's vulnerability to adverse economic and industry conditions, as well as conditions in the credit markets generally. In addition, Bluegreen's leverage position increases its vulnerability to economic and competitive pressures and may limit funds available for acquisitions, working capital, capital expenditures, dividends, and other general corporate purposes. Further, the financial covenants and other restrictions contained in indentures, credit agreements and other agreements relating to Bluegreen's indebtedness require Bluegreen to meet certain financial tests and restrict its ability to, among other things, pay dividends, borrow additional funds, dispose of assets or make investments. If Bluegreen fails to comply with the terms of its debt instruments, such debt may become due and payable immediately, which would have a material adverse impact on Bluegreen's cash position and financial condition. Significant resources may be required to monitor Bluegreen's compliance with its debt instruments (from a quantitative and qualitative perspective), and such monitoring efforts may not be effective in all cases. Bluegreen may also incur substantial additional indebtedness in the future. If new debt or other liabilities are added to its current debt levels, the related risks that it now faces, as described above, could intensify.

To the extent inflationary trends, tightened credit markets or other factors affect interest rates, Bluegreen's debt service costs may increase. If interest rates increased one percentage point, the effect on interest expense related to Bluegreen's variable-rate debt would be an annual increase of \$2.1 million, based on balances as of December 31, 2017.

***The ratings of third-party rating agencies could adversely impact Bluegreen's ability to obtain, renew or extend credit facilities, or otherwise raise funds.***

Rating agencies from time to time review prior corporate and specific transaction ratings in light of tightened ratings criteria. In December 2017, Standard & Poor's Rating Services affirmed Bluegreen's 'B+' credit rating. Bluegreen's corporate credit rating is also based, in part, on rating agencies' speculation about Bluegreen's potential future debt and dividend levels. If rating agencies were to downgrade Bluegreen's corporate credit ratings, Bluegreen's ability to raise funds on favorable terms, or at all, and Bluegreen's liquidity, financial condition and results of operations could be adversely impacted. See "Bluegreen would suffer substantial losses and Bluegreen's liquidity position could be adversely impacted if an increasing number of customers to whom Bluegreen provides financing default on their obligations" above. In addition, if rating agencies downgraded their original ratings on certain bond classes in Bluegreen's securitizations, holders of such bonds may be required to sell bonds in the marketplace, and such sales could occur at a discount, which could impact the perceived value of the bonds and Bluegreen's ability to sell future bonds on favorable terms or at all. While Bluegreen is not aware of any reasonably likely downgrades to its corporate credit rating or the ratings of bond classes in its securitizations, such ratings changes can occur without advance notice.

***Bluegreen's future success depends on its ability to market its products and services successfully and efficiently, and Bluegreen's marketing expenses have increased and may continue to increase in the future.***

As previously described, Bluegreen competes for customers with hotel and resort properties, other vacation ownership resorts and alternative lodging options, including private rentals of homes and apartments or condominium units. The identification of sales prospects and leads and the marketing of Bluegreen's products and services to them are essential to Bluegreen's success. Bluegreen incurs expenses associated with marketing programs in advance of the closing of sales. If Bluegreen's lead identification and marketing efforts do not yield enough leads or Bluegreen is unable to successfully convert sales leads to sales, Bluegreen may be unable to recover the expense of its marketing programs and systems and its business, operating results and financial condition would be adversely affected. In addition, Bluegreen is currently focusing and has increased its marketing efforts on selling to new customers, which typically involves a relatively higher marketing cost compared to sales to existing owners and therefore has increased and is expected to continue to increase Bluegreen's sales and marketing expenses. If Bluegreen is not successful in offsetting the cost increase with greater sales revenue, Bluegreen's operating results and financial condition would be adversely impacted. In addition, Bluegreen's marketing efforts are subject to the risk of changing consumer behavior. Changes in consumer behavior may adversely impact the effectiveness of marketing efforts and strategies which Bluegreen has in place, and Bluegreen may not be able to timely and effectively respond to such changes.

Bluegreen generates a significant portion of its new sales prospects and leads through its arrangements with various third parties, including Bass Pro and Choice Hotels. VOI sales to prospects and leads generated by Bluegreen's marketing arrangement with Bass Pro accounted for approximately 15% and 16% of its VOI sales volume during the years ended December 31, 2017 and 2016, respectively. If this arrangement with BassPro, or any other significant



marketing arrangement, does not generate a sufficient number of prospects and leads or is terminated or limited and not replaced by another source of sales prospects and leads, Bluegreen may not be able to successfully market and sell its products and services at current sales levels, at anticipated levels or at levels required in order to offset the costs associated with its marketing efforts. On October 9, 2017, Bass Pro raised an issue regarding the computation of the sales commissions paid to it on the sale of VOIs. While Bluegreen believes that the amount paid was consistent with the terms and intent of the parties' agreements, the resolution of that issue could in the future result in an increase in its marketing costs and adversely impact the Company's operating results and financial condition. The Company recognized approximately \$4.8 million in selling, general and administrative expense related to this matter during the fourth quarter of 2017.

***Bluegreen may not be successful in maintaining or expanding its capital-light business relationships, or its capital-light activities, including fee-based sales and marketing arrangements, and JIT and secondary market sales activities, and such activities may not be profitable, which may have an adverse impact on Bluegreen's results of operations and financial condition.***

Bluegreen offers fee-based marketing, sales, resort management and other services to third-party developers. Bluegreen has over the last several years continued to expand its capital-light business strategy, which Bluegreen believes enables it to leverage its expertise in sales and marketing, resort management, mortgage servicing, construction management and title services. Bluegreen currently intends to continue its focus on its capital-light business activities as such activities generally produce positive cash flow and typically require less capital investment than Bluegreen's traditional vacation ownership business. Bluegreen has attempted to structure these activities to cover its costs and generate a profit. Sales of third party developers' VOIs must generate sufficient cash to comply with the terms of their financing obligations as well as to pay the fees or commissions due to Bluegreen. The third party developers may not be able to obtain or maintain financing necessary to meet the developer's requirements, which could impact Bluegreen's ability to sell the developers' inventory. While Bluegreen could attempt to utilize other arrangements, including JIT arrangements, where Bluegreen would utilize its receivable credit facilities in order to provide fee-based marketing and sales services, this would reduce the credit otherwise available to Bluegreen and impact profitability. Bluegreen commenced its capital-light activities largely during the recession in response to poor economic conditions, and Bluegreen's fee-based and other capital-light business activities in the future may be adversely impacted by changes in economic conditions. While Bluegreen performs fee-based sales and marketing services, Bluegreen sells VOIs in a resort developed by a third party as an interest in the Bluegreen Vacation Club. This subjects Bluegreen to a number of risks typically associated with selling products developed by others under its own brand name, including litigation risks. Further, these arrangements may expose Bluegreen to additional risk as it will not control development activities or timing of development completion. If third parties with whom Bluegreen enters into agreements are not able to fulfill their obligations to Bluegreen, the inventory expected to be acquired or marketed and sold on their behalf may not be available when expected or at all, or may not otherwise be within agreed-upon specifications. Further, if these third parties do not perform as expected and Bluegreen does not have access to the expected inventory or ability to obtain access to inventory from alternative sources on a timely basis, its ability to maintain or increase sales levels would be adversely impacted.

Bluegreen also sells VOI inventory through secondary market arrangements which require low levels of capital deployment. In connection with secondary market sales, Bluegreen acquires VOI inventory from its resorts' HOAs on a non-committed basis in close proximity to the timing of when Bluegreen intends to sell such VOIs. VOIs purchased from HOAs are typically obtained by the HOAs through foreclosure in connection with maintenance fee defaults and are generally acquired by Bluegreen at a discount. While Bluegreen intends to increase its secondary market sales efforts in the future, Bluegreen may not be successful in doing so, and these efforts may not result in Bluegreen achieving anticipated results. Further, Bluegreen's secondary market sale activities may subject Bluegreen to negative publicity, which could adversely impact its reputation and business.

***Bluegreen's results of operations and financial condition may be materially and adversely impacted if Bluegreen does not continue to participate in exchange networks and other strategic alliances with third parties or if Bluegreen's customers are not satisfied with the networks in which Bluegreen participates or Bluegreen's strategic alliances.***

Bluegreen believes that its participation in exchange networks and other strategic alliances and its Traveler Plus™ program make ownership of Bluegreen VOIs more attractive by providing owners with the ability to take advantage of vacation experiences in addition to stays at Bluegreen's resorts. A VOI owner's participation in the RCI exchange network allows Vacation Club owners to use their points to stay at over 4,300 participating resorts, based upon availability and the payment of a variable exchange fee. During the year ended December 31, 2017, approximately 8% of Vacation Club owners utilized the RCI exchange network for a stay of two or more nights. Bluegreen also has



an exclusive strategic arrangement with Choice Hotels pursuant to which, subject to payments and conditions, certain of Bluegreen's resorts have been branded as part of Choice Hotels' Ascend Hotel Collection. For a nominal annual fee and transactional fee, Vacation Club owners may also participate in Bluegreen's Traveler Plus program, which enables them to use their points to access an additional 44 direct exchange resorts, for other vacation experiences such as cruises. Vacation Club owners can convert their Vacation Club points into Choice Privileges points. Choice Privileges points can be used for stays at Choice Hotels. In addition, Traveler Plus members can directly use their Vacation Club points for stays at Choice Hotels' Ascend Hotel Collection properties, a network of historic and boutique hotels in the United States, Canada, Scandinavia and Latin America. Bluegreen may not be able to or desire to continue to participate in the RCI or direct exchange networks in the future or maintain or extend its other marketing and strategic networks, alliances and relationships. In addition, these networks, alliances and relationships, and Bluegreen's Traveler Plus program, may not continue to operate effectively, and its customers may not be satisfied with them. In addition, Bluegreen may not be successful in identifying or entering into new strategic relationships in the future. If any of these events should occur, Bluegreen's results of operations and financial condition may be materially and adversely impacted.

***Bluegreen is subject to certain risks associated with its management of resort properties.***

Through management of resorts and ownership of VOIs, Bluegreen is subject to certain risks related to the physical condition and operation of the managed resort properties in its network, including:

- The presence of construction or repair defects or other structural or building damage at any of these resorts, including resorts Bluegreen may develop in the future;
- Any noncompliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements relating to these resorts;
- Any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms, which may increase in frequency or severity due to climate change or other factors; and
- Claims by employees, members and their guests for injuries sustained on these resort properties.

Some of these risks may be more significant in connection with the properties for which Bluegreen recently acquired management agreements, particularly those management agreements which were acquired from operators in financial distress. If an uninsured loss or a loss in excess of insured limits occurs as a result of any of the foregoing, Bluegreen may be subject to significant costs.

Additionally, a number of U.S. federal, state and local laws, including the Fair Housing Amendments Act of 1988 and the ADA, impose requirements related to access to and use by disabled persons of a variety of public accommodations and facilities. A determination that managed resorts are subject to, and that they are not in compliance with, these accessibility laws could result in a judicial order requiring compliance, imposition of fines or an award of damages to private litigants. If one of Bluegreen's managed resorts was required to make significant improvements as a result of non-compliance with these accessibility laws, assessments might be needed to fund such improvements, which additional costs may cause its VOI owners to default on their consumer loans from Bluegreen or cease making required maintenance fee or assessment payments. Also, to the extent that Bluegreen holds interests in a particular resort, it would be responsible for the pro rata share of the costs of such improvements. In addition, any new legislation may impose further burdens or restrictions on property owners with respect to access by disabled persons.

The resort properties that Bluegreen manages are subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety, including laws and regulations governing and creating liability relating to the management, storage and disposal of hazardous substances and other regulated materials and the cleanup of contaminated sites. The resorts are also subject to various environmental laws and regulations that govern certain aspects of their ongoing operations. These laws and regulations control such things as the nature and volume of wastewater discharges, quality of water supply and waste management practices. To the extent that Bluegreen holds interests in a particular resort, it would be responsible for the pro rata share of losses sustained by such resort as a result of a violation of any such laws and regulations.

In addition, Bluegreen may from time to time have disagreements with VOI owners and HOAs resulting from its provision of management services. Failure to resolve such disagreements may result in litigation. Further, disagreements with HOAs could also result in the loss of management contracts, which would negatively affect Bluegreen's revenues and results and may also have an adverse impact on its ability to generate sales from existing VOI owners.

Bluegreen's management contracts are typically structured as "cost-plus," with an initial term of three years and automatic one-year renewals. If a management contract is terminated or not renewed on favorable terms or is renegotiated in a manner adverse to Bluegreen, its revenues and cash flows would be adversely affected.

***Maintenance fees at Bluegreen's resorts and/or Vacation Club dues may be required to be increased, which could cause its product to become less attractive and could harm business.***

The maintenance fees, special assessments and Vacation Club dues that are levied by HOAs and the Vacation Club on VOI owners may increase as the costs to maintain and refurbish properties, and to keep properties in compliance with Bluegreen's standards, increase. Increases in such fees, assessments or dues could negatively affect customer satisfaction with Bluegreen's Vacation Club or otherwise adversely impact VOI sales to both new customers and existing VOI owners.

***Bluegreen's strategic transactions may not be successful and may divert its management's attention and consume significant resources.***

Bluegreen intends to continue its strategy of selectively pursuing complementary strategic transactions. Bluegreen may also purchase management contracts, including from resort operators facing financial distress, and purchase VOI inventory at resorts that it does not manage, with the goal of acquiring sufficient VOI ownership at such a resort to become the manager of that resort. The successful execution of this strategy will depend on Bluegreen's ability to identify and enter into the agreements necessary to take advantage of these potential opportunities, and to obtain any necessary financing. Bluegreen may not be able to do so successfully. In addition, Bluegreen's management may be required to devote substantial time and resources to pursue these opportunities, which may impact their ability to manage its operations effectively.

Acquisitions involve numerous additional risks, including: (i) difficulty in integrating the operations and personnel of the acquired business or assets; (ii) potential disruption of ongoing business and the distraction of management from day-to-day operations; (iii) difficulty entering markets in which Bluegreen has limited or no prior experience and in which competitors have a stronger market position; (iv) difficulty maintaining the quality of services that Bluegreen has historically provided across new acquisitions; (v) potential legal and financial responsibility for liabilities of the acquired business or assets; (vi) potential overpayment for the acquired business or assets; (vii) increased expenses associated with completing an acquisition and amortizing any acquired intangible assets; (viii) risks associated with any debt incurred in connection with the financing of the transaction; and (ix) challenges in implementing uniform standards, controls, procedures and policies throughout an acquired business.

***Bluegreen is dependent on the managers of its affiliated resorts to ensure that those properties meet its customers' expectations.***

In addition to stays at Bluegreen resorts, Vacation Club owners have access to other resorts and hotels as a result of participation in exchange programs and other strategic alliances. Accordingly, Vacation Club owners have access to resorts that Bluegreen does not manage, own or operate. If the managers of a significant number of those properties were to fail to maintain them in a manner consistent with Bluegreen's standards of quality, Bluegreen may be subject to customer complaints and its reputation and brand could be damaged. In addition, Bluegreen's agreements with these resorts or their owners may expire, be terminated or not be renewed, or may be renegotiated in a manner adverse to Bluegreen, and Bluegreen may be unable to enter into new agreements that provide Vacation Club owners with equivalent access to additional resorts, any or all of which could materially adversely impact Bluegreen's business, operating results and financial condition.

***The resale market for VOIs could adversely affect Bluegreen's business.***

Based on Bluegreen's experience at its resorts and at resorts owned by third parties, Bluegreen believes that resales of VOIs in the secondary market generally are made at net sales prices below the original customer purchase prices. The relatively lower sales prices are partly attributable to the high marketing and sales costs associated with the initial sales of such VOIs. Accordingly, the initial purchase price of a VOI may be less attractive to prospective buyers, and Bluegreen competes with buyers who seek to resell their VOIs. While VOI resale clearing houses or brokers currently do not have a material impact on Bluegreen's business, the availability of resale VOIs at lower prices, particularly if an organized and liquid secondary market develops, could adversely affect Bluegreen's level of sales and sales prices, which in turn would adversely affect Bluegreen's business, financial condition and results of operations.

***Bluegreen is subject to the risks of the real estate market and the risks associated with real estate development, including a decline in real estate values and a deterioration of other conditions relating to the real estate market and real estate development.***

Real estate markets are cyclical in nature and highly sensitive to changes in national and regional economic conditions, including:

- Levels of unemployment;
- Levels of discretionary disposable income;
- Levels of consumer confidence;
- The availability of financing;
- Overbuilding or decreases in demand;
- Interest rates; and
- Federal, state and local taxation methods.

A deterioration in general economic conditions or in the real estate market would have a material adverse effect on Bluegreen's business.

Bluegreen expects to seek to acquire more real estate inventory in the future, and the availability of land for development of resort properties at favorable prices will be critical to Bluegreen's profitability and the ability to cover its significant selling, general and administrative expenses, cost of capital and other expenses. If Bluegreen is unable to acquire such land or resort properties at a favorable cost, Bluegreen's results of operations may be materially, adversely impacted. The profitability of Bluegreen's real estate development activities is also impacted by the cost of construction, including the costs of materials and labor and other services. Should the cost of construction materials and services rise, the ultimate cost of Bluegreen's future resorts inventory when developed could increase and have a material, adverse impact on Bluegreen's results of operations. Bluegreen is also exposed to other risks associated with development activities, including, without limitation:

- Adverse conditions in the capital markets may limit Bluegreen's ability to raise capital for completion of projects or for development of future properties;
- Construction delays, zoning and other local, state or federal governmental approvals, cost overruns, lender financial defaults, or natural disasters, such as earthquakes, hurricanes, floods, fires, volcanic eruptions and oil spills, increasing overall construction costs, affecting timing of project completion or resulting in project cancellations;
- Any liability or alleged liability or resulting delays associated with latent defects in design or construction of projects Bluegreen has developed or that Bluegreen constructs in the future adversely affecting Bluegreen's business, financial condition and reputation;
- Failure by third-party contractors to perform for any reason, exposing Bluegreen to operational, reputational and financial harm; and
- The existence of any title defects in properties Bluegreen acquires.

In addition, the third-party developers from whom Bluegreen sources VOI inventory as part of its capital-light business strategy are exposed to such development-related risks and, therefore, the occurrence of such risks may adversely impact its ability to acquire VOI inventory from them when expected or at all.

***Environmental liabilities, including claims with respect to mold or hazardous or toxic substances, could have a material adverse impact on Bluegreen's financial condition and operating results.***

Under various federal, state and local laws, ordinances and regulations, as well as common law, Bluegreen may be liable for the costs of removal or remediation of certain hazardous or toxic substances, including mold, located on, in or emanating from property that Bluegreen owns, leases or operates, as well as related costs of investigation and property damage at such property. These laws often impose liability without regard to whether Bluegreen knew of, or was responsible for, the presence of the hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect Bluegreen's ability to sell or lease its property or to borrow money using such property or receivables generated from the sale of such property as collateral. Noncompliance with environmental, health or safety requirements may require Bluegreen to cease or alter operations at one or more of its properties. Further, Bluegreen may be subject to common law claims by third parties based on damages and costs resulting from violations of environmental regulations or from contamination associated with one or more of Bluegreen's properties.

***Bluegreen's insurance policies may not cover all potential losses.***

Bluegreen maintains insurance coverage for liability, property and other risks with respect to its operations and activities. While Bluegreen has comprehensive property and liability insurance policies with coverage features and insured limits that it believes are customary, market forces beyond Bluegreen's control may limit the scope of the insurance coverage it can obtain or ability to obtain coverage at reasonable rates. The cost of insurance may increase and coverage levels may decrease, which may affect Bluegreen's ability to maintain customary insurance coverage and deductibles at acceptable costs. There is a limit as well as various sub-limits on the amount of insurance proceeds Bluegreen will receive in excess of applicable deductibles. If an insurable event occurs that affects more than one of its properties, the claims from each affected property may be considered together per policy provisions to determine whether the per occurrence limit, annual aggregate limit or sub-limits, depending on the type of claim, have been reached. If the limits or sub-limits are exceeded, each affected property may only receive a proportional share of the amount of insurance proceeds provided for under the policy. Further, certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, terrorist acts, and certain environmental matters, may be outside the general coverage limits of Bluegreen's policies, subject to large deductibles, deemed uninsurable or too cost-prohibitive to justify insuring against. In addition, in the event of a substantial loss, the insurance coverage Bluegreen carries may not be sufficient to pay the full market value or replacement cost of the affected resort or in some cases may not provide a recovery for any part of a loss. As a result, Bluegreen could lose some or all of the capital it has invested in a property, as well as the anticipated future marketing, sales or revenue opportunities from the property. Further, Bluegreen could remain obligated under guarantees or other financial obligations related to the property despite the loss of product inventory, and its VOI owners could be required to contribute toward deductibles to help cover losses.

***Adverse outcomes in legal or other regulatory proceedings, including claims of non-compliance with applicable regulations or development-related defects could adversely affect Bluegreen's financial condition and operating results.***

In the ordinary course of business, Bluegreen is subject to litigation and other legal and regulatory proceedings, which result in significant expenses and devotion of time. In addition, litigation is inherently uncertain, and adverse outcomes in the litigation and other proceedings to which Bluegreen is or may be subject could adversely affect its financial condition and operating results. In addition, liabilities related to Bluegreen's former Bluegreen Communities business that were not assumed by Southstar Development Partners, Inc. ("Southstar") in connection with Southstar's purchase of substantially all of the assets which comprised Bluegreen Communities during May 2012, including those relating to Bluegreen Communities' operations prior to the closing of the transaction, remain Bluegreen's responsibility.

Bluegreen engages third-party contractors to construct its resorts. Bluegreen also historically engaged third-party contractors to develop the communities within its former Bluegreen Communities business. However, Bluegreen's customers may assert claims against Bluegreen for construction defects or other perceived development defects, including, without limitation, structural integrity, the presence of mold as a result of leaks or other defects, water intrusion, asbestos, electrical issues, plumbing issues, road construction, water and sewer defects and defects in the engineering of amenities. In addition, certain state and local laws may impose liability on property developers with respect to development defects discovered in the future. Bluegreen could have to accrue a significant portion of the cost to repair such defects in the quarter when such defects arise or when the repair costs are reasonably estimable.

Costs associated with litigation, including claims for development-related defects, and the outcomes thereof could adversely affect Bluegreen's liquidity, financial condition and operating results.

***Failure to maintain the integrity of Bluegreen's internal or customer data could result in faulty business decisions or operational inefficiencies, damage Bluegreen's reputation and/or subject Bluegreen to costs, fines, or lawsuits.***

Bluegreen collects and retains large volumes of internal and customer data, including social security numbers, credit card numbers and other personally identifiable information of its customers in various internal information systems and information systems of its service providers. Bluegreen also maintains personally identifiable information about its employees. The integrity and protection of that customer, employee and company data is critical to Bluegreen and faulty decisions could be made if that data is inaccurate or incomplete. Bluegreen's customers and employees also have a high expectation that Bluegreen and its service providers will adequately protect their personal information. The regulatory environment as well as the requirements imposed on Bluegreen by the payment card industry surrounding information, security and privacy is also increasingly demanding, in both the United States and other jurisdictions in which Bluegreen operates. Bluegreen's systems may be unable to satisfy changing regulatory and

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payment card industry requirements and employee and customer expectations, or may require significant additional investments or time in order to do so.

Bluegreen's information systems and records, including those it maintains with its service providers, may be subject to security breaches, cyber attacks, system failures, viruses, operator error or inadvertent releases of data. A significant theft, loss, or fraudulent use of customer, employee or company data maintained by Bluegreen or by a service provider could adversely impact Bluegreen's reputation and could result in remedial and other expenses, fines or litigation. A breach in the security of Bluegreen's information systems or those of its service providers could lead to an interruption in the operation of Bluegreen's systems, resulting in operational inefficiencies and a loss of profits.

The proliferation and global reach of social media continues to expand rapidly and could cause Bluegreen to suffer reputational harm. The continuing evolution of social media presents new challenges and requires it to keep pace with new developments, technology and trends. Negative posts or comments about Bluegreen, the properties it manages or its brands on any social networking or user-generated review website, including travel and vacation property websites, could affect consumer opinions of Bluegreen and its products, and Bluegreen cannot guarantee that it will timely or adequately redress such instances. Inadequate or failed technologies could lead to interruptions in Bluegreen's operations, which may materially adversely affect its business, financial position, results of operations or cash flows.

In addition, conversions to new information technology systems require effective change management processes and may result in cost overruns, delays or business interruptions. If Bluegreen's information technology systems are disrupted, become obsolete or do not adequately support its strategic, operational or compliance needs, its business, financial position, results of operations or cash flows may be adversely affected.

***Bluegreen's technology requires updating, the cost involved in updating the technology may be significant, and the failure to keep pace with developments in technology could impair Bluegreen's operations or competitive position.***

The vacation ownership and hospitality industries require the utilization of technology and systems, including technology utilized for sales and marketing, mortgage servicing, property management, brand assurance and compliance, and reservation systems. This technology requires continuous updating and refinements, including technology required to remain competitive and to comply with the legal requirements such as privacy regulations and requirements established by third parties. Bluegreen is taking steps to update its information technology platform, which has required, and is likely to continue to require, significant capital expenditures. Older systems which have not yet been updated may increase the risk of operational inefficiencies, financial loss and non-compliance with applicable legal and regulatory requirements, and Bluegreen may not be successful in updating such systems in the time frame or at the cost anticipated. Further, as a result of the rapidly changing technological environment, systems which Bluegreen has put in place or expects to put in place in the near term may become outdated, requiring new technology, and Bluegreen may not be able to replace those systems as quickly as its competition or within budgeted costs and time frames. Further, Bluegreen may not achieve the benefits that may have been anticipated from any new technology or system.

***Bluegreen's intellectual property rights, and the intellectual property rights of its business partners, are valuable, and the failure to protect those rights could adversely affect its business.***

Bluegreen's intellectual property rights, including existing and future trademarks, trade secrets and copyrights, are and will continue to be valuable and important assets of its business. Bluegreen believes that its proprietary technology, as well as its other technologies and business practices, are competitive advantages and that any duplication by competitors would harm Bluegreen's business. Measures taken to protect Bluegreen's intellectual property may not be sufficient or effective. Additionally, intellectual property laws and contractual restrictions may not prevent misappropriation of Bluegreen's intellectual property. Finally, even if Bluegreen is able to successfully protect its intellectual property, others may develop technologies that are similar or superior to Bluegreen's technology. Bluegreen also generates a significant portion of new sales prospects and leads through arrangements with third parties, including Bass Pro. The failure by these third parties to protect their intellectual property rights could also harm Bluegreen's business.

***The loss of the services of Bluegreen's key management and personnel could adversely affect its business.***

Bluegreen's ability to successfully implement its business strategy will depend on its ability to attract and retain experienced and knowledgeable management and other professional staff, and Bluegreen may not be successful in doing so. If efforts to retain and attract key management and other personnel are unsuccessful, Bluegreen's business, prospects, results of operations and financial condition may be materially and adversely impacted.

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***BBX Capital and its subsidiaries are subject to environmental laws related to their real estate activities and the cost of compliance could adversely affect our businesses.***

As current or previous owners or operators of real property, BBX Capital and its subsidiaries, including Bluegreen, may be liable under federal, state and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the property. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial.

***In connection with the sale of BankAtlantic to BB&T during July 2012, we acquired nonperforming loans and foreclosed real estate, and our results of operations and financial condition may be adversely affected if these criticized assets are monetized below their current book values.***

As a result of the BankAtlantic Sale, we maintain and manage a portfolio of foreclosed real estate and non-performing loans. As a consequence, our financial condition and results of operations will be dependent on our ability to successfully manage and monetize these legacy assets. Further, our loan portfolio and real estate may not be easily salable in the event we decide to liquidate an asset through a sale transaction. If the legacy assets are not monetized at or near the current book values ascribed to them, or if these assets are liquidated for amounts less than book value, our financial condition and results of operations would be adversely affected. Because a majority of these legacy assets do not generate income on a regular basis, we do not expect to generate significant revenue or income with respect to these assets until such time as an asset is monetized through repayments or we consummate transactions involving the sale, joint venture or development of the underlying real estate or investments.

***Some of our operations are through unconsolidated joint ventures with unaffiliated third parties, and we may be adversely impacted by a joint venture partner's failure to fulfill its obligations.***

By entering into joint ventures, we may be successful in reducing the amount we invest in the ownership and development of real estate properties. However, joint venture partners may become financially unable or unwilling to fulfill their obligations under the joint venture agreements. Most joint ventures borrow money to help finance their activities, and although recourse on the loans is generally limited to the managing members, joint ventures and their properties, we have in some cases and may in the future provide ongoing financial support or guarantees. If joint venture partners do not meet their obligations to the joint venture, we may be required to make significant expenditures, which may have an adverse effect on our operating results or financial condition. We have in the past and may in the future hold investments in a number of different joint ventures with the same or related developers, which could increase the adverse effects of any failures by such developer to fulfill its obligations.

***Investments by BBX Capital's real estate division in real estate developments directly or through joint ventures expose us to market and economic risks inherent in the real estate construction and development industry.***

The real estate construction and development industry is highly competitive and subject to numerous risks which in many cases are beyond management's control. The success of our investments in real estate developments is dependent on many factors, including:

- Demand for or oversupply of new homes, finished lots, rental apartments and commercial real estate;
- Demand for commercial real estate tenants;
- Real estate market values;
- Changes in capitalization rates impacting real estate values;
- Inventory of foreclosed homes negatively impacting selling prices;
- Availability and reasonable pricing of skilled labor;
- Availability and reasonable pricing of construction materials, such as lumber, framing, concrete and other building materials;
- Changes in laws and regulations for new construction and land entitlements, including environmental and zoning laws and regulations;
- Natural disasters and severe weather conditions increasing costs, delaying construction, causing uninsured losses or reducing demand for new homes;
- Availability and cost of mortgage financing for potential purchasers;
- Mortgage loan interest rates;



- Availability, delays and costs associated with obtaining permits, approvals or licenses necessary to develop property;
- Construction defects and product liability claims; and
- General economic conditions.

Any of these factors could give rise to delays in the start or completion of a project, increase the cost of developing a project, or could result in reduced prices and values for BBX Capital's developments, including developments underlying its joint venture investments.

***A significant portion of our loans and real estate assets are located in Florida, and economic conditions in the Florida real estate market could adversely affect our earnings and financial condition.***

The legacy assets retained by us in the BankAtlantic Sale and the real estate investments made by us are primarily in Florida, and adverse changes to the Florida economy or the real estate market may negatively impact our earnings and financial condition. Our real estate investment business is primarily concentrated in Florida. As a result, we are exposed to geographic risks of high unemployment rates, declines in the housing industry and declines in the real estate market in Florida. Adverse changes in laws and regulations in Florida would have a negative impact on our revenues, financial condition and business. Declines in the Florida housing markets may negatively impact the credit performance of our loans and result in significant asset impairments. Further, the State of Florida is subject to the risks of natural disasters, such as tropical storms and hurricanes, which may disrupt our operations, adversely impact the ability of our borrowers to timely repay their loans, adversely impact the value of any collateral securing loans and our portfolio of real estate, or otherwise have an adverse effect on our results of operations. The severity and impact of tropical storms, hurricanes and other weather related events are unpredictable.

***Renin's sales are concentrated with two significant customers, and there is significant competition in the industry.***

A significant amount of Renin's sales are to big-box home centers. These home centers in many instances have significant negotiating leverage with their vendors, including Renin, and are able to affect the prices of the products sold and the terms and conditions of conducting business with them. These home centers may also reduce the number of vendors they purchase from or make significant changes in their volume of purchases. Although homebuilders, dealers and other retailers represent other channels of distribution for Renin's products, the loss of a home center customer or reduced sales volume at any of these home centers would have a material adverse effect on Renin's business. Further, Renin has substantial competition from overseas manufacturers of products similar to those sold by Renin.

***A significant portion of Renin's business relies on home improvement and new home construction activity, both of which are cyclical and outside of management's control.***

A significant portion of Renin's business is dependent on the levels of home improvement activity, including spending on repair and remodeling projects, and new home construction activity. Macroeconomic conditions, including consumer confidence levels, fluctuations in home prices, unemployment and underemployment levels, interest rates, regulatory initiatives, and the availability of home equity loans and mortgage financing affect both discretionary spending on home improvement projects as well as new home construction activity. Adverse changes in these factors or uncertainty regarding these macroeconomic conditions could result in a decline in spending on home improvement projects and a decline in demand for new home construction, both of which could adversely affect Renin's results of operations.

***The operating results of Renin and BBX Sweet Holdings would be negatively impacted if they experience increased commodity costs or a limited availability of commodities.***

Our middle market operating businesses purchase various commodities to manufacture products, including steel, aluminum, glass and mirror in the case of Renin, and sugar and cocoa in the case of BBX Sweet Holdings. Fluctuations in the availability and prices of these commodities could increase the cost to manufacture products. Further, increases in energy costs could increase production costs as well as transportation costs, each of which could negatively affect their operating results. Renin's and BBX Sweet Holdings' existing arrangements with customers, competitive considerations and the relative negotiating power and resistance of home center customers and big-box retailers to price increases make it difficult to increase selling prices to absorb increased production costs. If Renin and BBX Sweet Holdings are not able to increase the prices of its products or achieve other cost savings or productivity improvements to offset any increased commodity and production costs, our operating results could be negatively impacted. Many of the raw materials purchased by Renin and BBX Sweet Holdings are sourced from China, Mexico



and other countries. Changes in United States trade practices, or taxes levied on these imports, could significantly impact the results of these operating companies.

***Market demand for chocolate and candy products could decline.***

BBX Sweet Holdings and its acquired businesses operate in highly competitive markets and compete with larger companies that have greater resources. The success of these businesses is impacted by many factors, including the following:

- Effective retail execution;
- Effective and cost efficient advertising campaigns and marketing programs;
- Adequate supply of commodities at a reasonable cost;
- Oversight of product safety;
- Ability to sell manufactured products at competitive prices;
- Response to changes in consumer preferences and tastes;
- Changes in consumer health concerns, including obesity and the consumption of certain ingredients and;
- Concerns related to effects of sugar or other ingredients which may be used to make its products.

A decline in market demand for chocolate and candy products could negatively affect operating results.

***BBX Sweet Holdings may experience product recalls or product liability claims.***

Selling products for human consumption involves inherent legal and other risks, including product contamination, spoilage, product tampering, allergens, or other adulteration. BBX Sweet Holdings could decide or be required to destroy inventory, recall products or lose sales in connection with contamination, tampering, adulteration or other deficiencies. These events could result in significant losses and may damage BBX Sweet Holdings' reputation, and discourage consumers from buying products, or cause production and delivery disruptions which would adversely affect BBX Sweet Holdings' financial condition and results of operations. BBX Sweet Holdings may also incur losses if products cause injury, illness or death. A significant product liability claim may adversely affect both reputation and profitability, even if the claim is unsuccessful.

***FFTRG operations require ongoing compliance with its area development and franchise agreements with MOD.***

The Company's area development agreement with MOD provides the Company with the exclusive right to open MOD franchised pizza restaurant locations in the state of Florida. The agreement requires the Company to open its restaurant locations based on a predetermined development schedule, and failure to comply with the schedule gives MOD the right to terminate the agreement. In connection with such a termination, the Company will have no right to open additional MOD franchised pizza restaurant locations, and MOD may grant franchise rights to competitors in the state of Florida. As a result, to remain compliant with the development schedule, the Company may decide to develop restaurants in less desirable locations. Furthermore, if the Company lost its exclusive development rights, our inability to open additional locations could prevent us from scaling our infrastructure and operations, and our existing locations may face increased competition from additional MOD locations.

In addition, the Company's franchise agreements with MOD require the Company to comply with various operating programs designed and established by MOD. These programs include the adoption of price discounts and promotions, the implementation of menu changes, and the funding of various ongoing operating expenses and capital expenditures, including the requirement to periodically remodel restaurant locations.

These requirements and the related risks of compliance could ultimately have an adverse effect on the operating results of the Company's MOD franchise operations.

***Information technology failures and data security breaches could harm our business.***

The Company relies on information technology (IT) systems, including Internet sites, data hosting facilities and other hardware and platforms, some of which are hosted by third parties. These IT systems, like those of most companies, may be vulnerable to a variety of interruptions, including, but not limited to, natural disasters, telecommunications failures, hackers, and other security issues. Moreover, the Company's computer systems, like those of most companies, may become subject to computer viruses or other malicious codes, and to cyber or phishing-attacks. Although administrative and technical controls have been implemented which attempt to minimize the risk of cyber

incidents, computer intrusion efforts are becoming increasingly sophisticated, and any enhanced controls installed might be breached. If the IT systems cease to function properly, the Company could suffer interruptions in its operations. If the cyber-security is breached, unauthorized persons may gain access to our proprietary or confidential information, including information about borrowers, employees or investments. This could require the Company to incur significant costs to comply with legally required protocols and to repair or restore the security of its systems.

***Substantial sales of BBX Capital's Class A Common Stock or Class B Common Stock could adversely affect the market prices of such securities.***

Substantial sales of BBX Capital's Class A Common Stock or Class B Common Stock, including sales of shares by controlling shareholders and management, could adversely affect the market prices of such securities. Management has in the past and may in the future enter into Rule 10b5-1 plans pursuant to which a significant number of shares are sold into the open market.

***Alan B. Levan and John E. Abdo's control position may adversely affect the market price of BBX Capital's Class A Common Stock and Class B Common Stock.***

Alan B. Levan, the Chairman and Chief Executive Officer of BBX Capital, and John E. Abdo, the Vice Chairman of BBX Capital, collectively beneficially own shares of BBX Capital's Class A Common Stock and Class B Common Stock representing approximately 77% of the general voting power of BBX Capital. In addition, each of Mr. Alan Levan and Mr. Abdo has been granted restricted securities of BBX Capital which are scheduled to vest over time. Further, Mr. Alan Levan and Mr. Abdo are parties to an agreement pursuant to which Mr. Alan Levan has agreed to vote his shares of BBX Capital's Class B Common Stock in favor of the election of Mr. Abdo to BBX Capital's board of directors for so long as he is willing and able to serve as a director of BBX Capital, and Mr. Abdo has agreed to vote the shares of BBX Capital's Class B Common Stock he owns in the same manner that Mr. Alan Levan votes his shares of BBX Capital's Class B Common Stock. Mr. Abdo has also agreed, subject to certain exceptions, not to transfer certain of his shares of BBX Capital's Class B Common Stock and to obtain the consent of Mr. Alan Levan prior to the conversion of certain of his shares of BBX Capital's Class B Common Stock into shares of BBX Capital's Class A Common Stock. Because BBX Capital's Class A Common Stock and Class B Common Stock vote as a single class on most matters, Mr. Alan Levan and Mr. Abdo effectively have the voting power to elect the members of BBX Capital's board of directors and to control the outcome of any other vote of BBX Capital's shareholders, except in those limited circumstances where Florida law mandates that the holders of BBX Capital's Class A Common Stock vote as a separate class. Mr. Alan Levan's and Mr. Abdo's control position may have an adverse effect on the market price of BBX Capital's Class A Common Stock and Class B Common Stock. In addition, their interests may conflict with the interests of BBX Capital's other shareholders.

***Provisions in BBX Capital's Amended and Restated Articles of Incorporation and Bylaws, as well as BBX Capital's shareholder rights plan, may make it difficult for a third party to acquire BBX Capital and could impact the price of BBX Capital's Class A Common Stock and Class B Common Stock.***

BBX Capital's Amended and Restated Articles of Incorporation and Bylaws contain provisions that could delay, defer or prevent a change of control of BBX Capital or its management. These provisions could make it more difficult for shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of BBX Capital's Class A Common Stock or Class B Common Stock. These provisions include:

- The provisions in BBX Capital's Amended and Restated Articles of Incorporation regarding the special voting rights of BBX Capital's Class B Common Stock;
- Subject to the special class voting rights of holders of BBX Capital's Class B Common Stock under certain circumstances, the authority of BBX Capital's board of directors to issue additional shares of common or preferred stock and to fix the relative rights and preferences of the preferred stock without additional shareholder approval; and
- Advance notice procedures to be complied with by shareholders in order to make shareholder proposals or nominate directors.

In addition, BBX Capital's rights agreement, which was adopted and is designed to preserve certain tax benefits available to BBX Capital, may have an anti-takeover effect because the rights agreement provides a deterrent to investors from acquiring a 5% or greater ownership interest in BBX Capital's Class A Common Stock and Class B Common Stock.

***Holders of BBX Capital's Class A Common Stock and Class B Common Stock may not receive dividends in the amounts anticipated, when anticipated, or at all.***

During each of March 2017, June 2017, September 2017 and December 2017, BBX Capital's board of directors declared a cash dividend of \$0.0075 per share on BBX Capital's Class A Common Stock and Class B Common Stock. BBX Capital has indicated its intention to declare regular quarterly dividends on its Class A Common Stock and Class B Common Stock. However, future dividends are subject to approval and declaration by BBX Capital's board of directors and, accordingly, BBX Capital may not make dividend payments in the future, whether in the amount anticipated, on a regular basis or as anticipated, or at all. The payment of dividends, if any, by BBX Capital will depend on many factors considered by its board of directors, including, without limitation, our financial condition and results of operations, liquidity requirements, market opportunities, and contractual constraints. Further, over time, the Company's cash needs may change significantly from its current needs, which could affect whether BBX Capital pays dividends and the amount of any dividends it may pay in the future. The terms of BBX Capital's indebtedness may also restrict it from paying cash dividends on its stock under certain circumstances. In addition, BBX Capital pays regular quarterly cash dividends of \$187,500 with respect to its outstanding 5% Cumulative Preferred Stock. BBX Capital may not pay or set apart for payment any dividend or other distribution (other than a dividend or distribution payable solely in common stock) on its Class A Common Stock or Class B Common Stock until such time as all accrued and unpaid dividends on BBX Capital's 5% Cumulative Preferred Stock have been or contemporaneously are declared or paid and a sum is set apart sufficient for payment of such accrued and unpaid dividends.

***The provisional tax impacts resulting from the Tax Cuts and Jobs Act are based on interpretations and assumptions the Company has made. Any changes in interpretations and assumptions or the issuance of additional regulatory guidance may have a material adverse impact on our tax rate in fiscal years 2018 and beyond.***

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Reform Act"), was signed into law, significantly changing the U.S. Internal Revenue Code. These changes include, among other things, lowering the corporate income tax rate, subjecting certain future foreign subsidiary earnings, whether or not distributed, to U.S. tax under a Global Intangible Low-Taxed Income provision, imposing a new alternative "Base Erosion and Anti-Abuse Tax" on U.S. corporations that limits deductions for certain amounts payable to foreign affiliates, imposing significant additional limitations on the deductibility of interest payable to related and unrelated lenders, further limiting deductible executive compensation, and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries through the end of 2017. We continue to analyze how the Tax Reform Act may impact our results of operations. The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act. This continued analysis and resulting uncertainty, along with many of the changes effected pursuant to the Tax Reform Act, may have an adverse or volatile effect on our tax rate in fiscal years 2018 and beyond, thereby affecting our results of operations.

***There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Any changes in estimates, judgments and assumptions used could have a material adverse effect on our financial position and operating results.***

The consolidated financial statements included in the periodic reports we file with the SEC, including this Annual Report on Form 10-K, are prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including goodwill and other intangible assets), liabilities and related reserves, revenues, expenses and income. This includes estimates, judgments and assumptions for assessing the amortization/accretion of purchase accounting fair value differences and the impairment of goodwill and other intangible assets pursuant to applicable accounting guidance. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are often not readily apparent from other sources. However, estimates, judgments and assumptions can be highly uncertain and are subject to change in the future, and our estimates, judgments and assumptions may prove to be incorrect and our actual results may differ from these estimates under different assumptions or conditions.



If any estimates, judgments or assumptions change in the future, or our actual results differ from our estimates or assumptions, we may be required to record additional expenses or impairment charges, which would be recorded as a charge against our earnings and could have a material adverse impact on our financial condition and operating results. Our goodwill was tested for impairment on December 31, 2017 (annual testing date) and the goodwill assigned to one of BBX Sweet Holdings reporting units was determined to be impaired. The goodwill assigned to another BBX Sweet Holdings reporting unit was determined not to be impaired. If BBX Sweet Holdings' reporting units do not meet expectations or if there is a downturn in the confectionery industry, we may recognize goodwill impairment charges in future periods.

***Unexpected events, such as natural disasters, severe weather and terrorist activities, may disrupt the Company's operations and increase our costs.***

The occurrence of one or more unexpected events, including tsunamis, hurricanes, earthquakes, floods and other forms of severe weather or terrorist activities in countries or regions in which our assets, suppliers or our operating businesses are located could adversely affect our operations and financial performance.

Natural disasters, acts or threats of war or terrorism, or other unexpected events could result in temporary or long-term disruption in the delivery or supply of necessary raw materials and component products from suppliers, which would disrupt production capabilities and likely increase our cost of doing business.

***Legal proceedings and the impact of any finding of liability or damages could adversely impact us and our financial condition and operating results.***

BBX Capital and its subsidiaries have in the past and may in the future be subject to legal proceedings, including numerous legal proceedings against Bluegreen with respect to its operations. The impact of any finding of liability or damages could adversely impact the Company's financial condition and operating results and the costs of defending pending or threatened legal proceedings could be significant.

***The loss of the services of key management and personnel could adversely affect the Company's business.***

The Company's ability to successfully implement its business strategy will depend on the ability to attract and retain experienced and knowledgeable management and other professional staff. If the Company is unable to retain and motivate its existing employees and efforts to retain and attract key management and other personnel are unsuccessful, the Company's results of operations and financial condition may be materially and adversely impacted.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

The principal executive office of the Company is located at 401 East Las Olas Boulevard, Suite 800, Fort Lauderdale, Florida, 33301, and is occupied under a lease with an expiration date of June 30, 2021. The Company has the right to renew the terms of the lease for two additional terms of five years commencing as of the expiration date.

Bluegreen's principal executive office is located at 4960 Conference Way North, Suite 100, Boca Raton, Florida 33431, and consists of approximately 120,838 square feet of leased space with an expiration date of December 31, 2023. At December 31, 2017, Bluegreen also maintained sales offices at or near 23 of its resorts as well as regional administrative offices in Orlando, Florida and Indianapolis, Indiana. For information regarding Bluegreen's resort properties, that are part of the Bluegreen Vacation Club, please see Item 1 Business —Products – Vacation Club Resorts.

IT'SUGAR's principal executive office is located at 3155 Southwest 10<sup>th</sup> Street, Deerfield, Florida and is occupied under a lease with an expiration date of October 31, 2019. IT'SUGAR leases 95 retail locations in 26 states and Washington DC, with lease expirations from 2018 to 2030. The retail leases typically have a 10 year original term.

Renin's principal executive office is located at 110 Walker Drive, Brampton, Ontario and is occupied under a lease with an expiration date of December 31, 2024. Renin leases its manufacturing facilities in the United States and Canada which have lease expiration dates of December 31, 2019 and December 31, 2024, respectively.

BBX Sweet Holdings leases the following manufacturing facilities in Utah and Florida and retail locations in Florida:

- 50,000 square foot manufacturing, storage and distribution facility located at 680 South 500 East, American Fork, Utah, with a lease expiration date of May 31, 2023;
- 30,000 square feet of office, manufacturing, warehousing and food storage areas located at 2045 High Ridge Road, Boynton Beach, Florida with a lease expiration date of January 31, 2020;
- 80,000 square feet of office, manufacturing, warehousing and food storage areas located at 1815 Cypress Lake Drive, Orlando, Florida with a lease expiration date of September 30, 2019 with three additional option terms of five years each commencing as of the expiration date;
- Three retail locations in Palm Beach County, Florida with lease expiration dates ranging from February 28, 2018 to November 30, 2026; and
- Four retail locations in Broward County, Florida with lease expiration dates ranging from June 30, 2019 to May 31, 2026.

BBX Sweet Holdings also owns a chocolate manufacturing facility located at 5190 Lake Worth Road, Greenacres, Florida. The facility is comprised of a 4,000 square foot office and store front area and an 11,526 square foot manufacturing area.

FFTRG has executed the following retail leases to operate MOD Super-Fast Pizza restaurants in Florida:

- Two retail restaurant locations in Broward County each expiring in 2027;
- One retail restaurant location in Dade County expiring in 2027; and
- One retail restaurant location in Duval County expiring in 2027.

These retail leases typically have a 10 year term with the right to renew the terms of the lease for two additional terms of five years commencing as of the expiration date.





### **ITEM 3. LEGAL PROCEEDINGS**

In the ordinary course of business, BBX Capital and its subsidiaries are parties to lawsuits as plaintiff or defendant involving its operations and activities. Although BBX Capital and its subsidiaries believe that they have meritorious defenses in all current legal actions, the outcome of litigation and regulatory matters and timing of ultimate resolution are inherently difficult to predict and uncertain. Set forth below are descriptions of material pending legal proceedings.

In the ordinary course of business, Bluegreen becomes subject to claims or proceedings from time to time relating to the purchase, sale, marketing, or financing of VOIs or Bluegreen's other business activities. Bluegreen is also subject to certain matters relating to the Bluegreen Communities' business, substantially all of the assets of which were sold by Bluegreen on May 4, 2012. Additionally, from time to time in the ordinary course of business, Bluegreen becomes involved in disputes with existing and former employees, vendors, taxing jurisdictions and various other parties and Bluegreen receives individual consumer complaints, as well as complaints received through regulatory and consumer agencies, including Offices of State Attorneys General. Bluegreen takes these matters seriously and attempts to resolve any such issues as they arise.

#### **BBX Capital Litigation**

***Shiva Stein, on behalf of herself and all others similarly situated, v. BBX Capital Corp., John E. Abdo, Norman H. Becker, Steven M. Coldren, Willis N. Holcombe, Jarett S. Levan, Anthony P. Segreto, Charlie C. Winningham, II, BFC Financial Corporation and BBX Merger Subsidiary LLC, Case No. CACE16014713, Circuit Court of the 17<sup>th</sup> Judicial Circuit in and for Broward County, Florida.***

On August 10, 2016, Shiva Stein filed a lawsuit against the Company, BBX Merger Sub, LLC ("Merger Sub"), BCC and the members of BCC's board of directors, which seeks to establish a class of BCC's shareholders and challenges the Merger between BCC and BBX Capital ("the Merger"). The plaintiff asserts that the Merger consideration undervalues BCC and is unfair to BCC's public shareholders, that the sales process was unfair and that BCC's directors breached their fiduciary duties of care, loyalty and candor owed to the public shareholders of BCC because, among other reasons, they failed to take steps to maximize the value of BCC to its public shareholders and instead diverted consideration to themselves. The lawsuit also alleges that BBX Capital, as the controlling shareholder of BCC, breached its fiduciary duties of care, loyalty and candor owed to the public shareholders of BCC by utilizing confidential, non-public information to formulate the Merger consideration and not acting in the best interests of BCC's public shareholders. In addition, the lawsuit includes a cause of action against BCC, the Company and Merger Sub for aiding and abetting the alleged breaches of fiduciary duties. The lawsuit requested that the court grant an injunction blocking the proposed Merger or, if the proposed Merger is completed, rescind the transaction or award damages as determined by the court. On September 15, 2016, the Defendants filed a Motion to Dismiss the amended complaint. On November 21, 2016, the Court issued an order granting the Motion to Dismiss with prejudice. Plaintiff appealed the Court's order dismissing the amended complaint to the Fourth District Court of Appeals, and on January 9, 2018, the Fourth District of Appeals held oral argument on the appeal. The Company believes that the appeal is without merit and intends to continue vigorously defending the action.

#### **Bluegreen Litigation**

##### ***"Cease and Desist" Letters***

Commencing in 2015, it came to Bluegreen's attention that its collection efforts with respect to its VOI notes receivable were being impacted by a then emerging, industry-wide trend involving the receipt of "cease and desist" letters from attorneys purporting to represent certain VOI owners. Following receipt of these letters, Bluegreen is unable to contact the owners unless allowed by law. Bluegreen believes these attorneys have encouraged such owners to become delinquent and ultimately default on their obligations and that such actions and Bluegreen's inability to contact the owners are a primary contributor to the increase in its annual default rates. Bluegreen's average annual default rates have increased from 6.9% in 2015 to 8.5% in 2017. Bluegreen also estimates that approximately 9.3% of the total delinquencies on its VOI notes receivable as of December 31, 2017 related to VOI notes receivable subject to these letters. Bluegreen has in a number of cases pursued, and may in the future pursue, legal action against the VOI owners.



***Whitney Paxton and Jeff Reeser, on behalf of themselves and all others similarly situated, v. Bluegreen Vacations Unlimited, Inc., Phillip Hicks and Todd Smith, Case No. 3:16-CV-523-HSM-HBG, United States District Court, Eastern District of Tennessee at Knoxville***

On August 24, 2016, Whitney Paxton and Jeff Reeser filed a lawsuit against Bluegreen Vacations Unlimited, Inc. (“BVU”), a wholly-owned subsidiary of Bluegreen, and certain employees of BVU (collectively, the “Defendants”), seeking to establish a class action of former and current employees of BVU and alleging violations of plaintiffs’ rights under the Fair Labor Standards Act of 1938 (the “FLSA”) and breach of contract. The lawsuit also claims that the Defendants terminated plaintiff Whitney Paxton as retaliation for her complaints about alleged violations of the FLSA. The lawsuit seeks damages in the amount of the unpaid compensation owed to the plaintiffs. During July 2017, a magistrate judge entered a report and recommendation that the plaintiffs’ motion to conditionally certify collective action and facilitate notice to potential class members be granted with respect to certain employees and denied as to others. During September 2017, the judge accepted the recommendation and granted preliminary approval of class certification. Management believes that the lawsuit is without merit and intends to vigorously defend the action.

***Stephen Potje, Tamela Potje, Sharon Davis, Beafus Davis, Matthew Baldwin, Tammy Baldwin, Arnor Lee, Angela Lee, Gretchen Brown, Paul Brown, Jeremy Estrada, Emily Estrada, Guillermo Astorga Jr., Michael Oliver, Carrie Oliver, Russell Walters, Elaine Walters, and Mike Ericson, individually and on behalf of all other similarly situated, v Bluegreen Corporation, Case No.: 9:17-cv-81055, United States District Court, Southern District of Florida***

On September 22, 2017, the plaintiffs named in the caption above filed a lawsuit against Bluegreen which asserts claims for alleged violations of the Florida Deceptive and Unfair Trade Practices Act and the Florida False Advertising Law. In the complaint, the plaintiffs allege the making of false representations in connection with Bluegreen’s sales of VOIs, including representations regarding the ability to use points for stays or other experiences with other vacation providers, the ability to cancel VOI purchases and receive a refund of the purchase price, the ability to roll over unused points and that annual maintenance fees would not increase. The complaint seeks to establish a class of consumers who, since the beginning of the applicable statute of limitations, have purchased VOIs from Bluegreen, had their annual maintenance fees relating to Bluegreen VOIs increased, or were unable to roll over their unused points to the next calendar year. The lawsuit alleges damages in excess of \$5,000,000 and seeks damages in the amount alleged to have been improperly obtained by Bluegreen, as well as any statutory enhanced damages, attorneys’ fees and costs, and equitable and injunctive relief. On November 20, 2017, Bluegreen moved to dismiss the complaint and, in response, the plaintiffs filed an amended complaint dropping the claims relating to the Florida Deceptive and Unfair Trade Practices Act and adding claims for fraud in the inducement and violation of the Florida Vacation Plan and Timesharing Act. Bluegreen filed a motion to dismiss the amended complaint which is currently pending before the court. Bluegreen’s management believes that the lawsuit is without merit and intends to vigorously defend the action.

***Gordon Siu, individually and on behalf of all others similarly situated, v. Bluegreen Vacations Unlimited, Inc., Choice Hotels International, Inc., et al., Case No. 3:18-CV-00022, U.S. District Court for the Southern District of California***

On January 4, 2018, the plaintiff named in the caption above filed a lawsuit alleging that Bluegreen Vacations and Choice Hotels violated California state privacy laws by recording and/or monitoring a telemarketing call to the plaintiff without his consent. The plaintiff claims the individual making the call requested that the plaintiff provide personal and private information and did not disclose that the call was being recorded until after making such request. The plaintiff seeks certification of a class of persons in California whose telephone conversations were monitored, recorded and/or eavesdropped upon without their consent by Bluegreen and/or Choice Hotels and damages of \$5,000 per violation. Bluegreen believes that the lawsuit is without merit and intends to vigorously defend the action.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's Class A Common Stock and Class B Common Stock have substantially identical terms, except as follows:

- Under Florida law and our Articles of Incorporation and Bylaws, holders of our Class A Common Stock and Class B Common Stock vote together as a single class on most matters presented for a shareholder vote. On such matters, holders of our Class A Common Stock are entitled to one vote for each share held, with all holders of Class A Common Stock possessing in the aggregate 22% of the total voting power. Holders of Class B Common Stock have the remaining 78% of the total voting power. If the number of shares of Class B Common Stock outstanding decreases to 1,800,000 shares, the Class A Common Stock's aggregate voting power will increase to 40%, and the Class B Common Stock will have the remaining 60%. If the number of shares of Class B Common Stock outstanding decreases to 1,400,000 shares, the Class A Common Stock's aggregate voting power will increase to 53%, and the Class B Common Stock will have the remaining 47%. If the number of shares of Class B Common Stock outstanding decreases to 500,000 shares, the fixed voting percentages will be eliminated, and holders of our Class A Common Stock and holders of our Class B Common Stock will each be entitled to one vote per share.
- Each share of Class B Common Stock is convertible at the option of the holder thereof into one share of Class A Common Stock.

In addition to any other approval required by Florida law, the voting structure described in the first bullet point above may not be amended without the approval of holders of a majority of the outstanding shares of our Class B Common Stock, voting as a separate class. Holders of our Class B Common Stock also have certain other special voting rights with respect to matters affecting our capital structure and the Class B Common Stock.

#### **Market Information**

On July 13, 2017, the Company's Class A Common Stock began trading on the New York Stock Exchange ("NYSE") under the ticker symbol "BBX." Upon commencement of trading on the NYSE, the Company's Class A Common Stock ceased trading on the OTCQX Best Market. On February 3, 2017, the Company's Class B Common Stock began trading on the OTCQX Best Market under the ticker symbol "BBXTB".

From February 3, 2017 through July 12, 2017, our Class A Common Stock were quoted on the OTCQX Best Market under the ticker symbol "BBXT". Prior to February 3, 2017, our Class A and Class B Common Stock were quoted on the OTCQB market tier of the OTC Markets ("OTCQB") under the ticker symbol names "BFCF" and "BFCFB," respectively.

On March 6, 2018, there were approximately 371 record holders of our Class A Common Stock and approximately 135 record holders of our Class B Common Stock.

The following table sets forth, for the indicated periods, the high and low trading prices for our Class A Common Stock and Class B Common Stock as quoted on the applicable exchange.

	<u>Class A Common Stock</u>		<u>Class B Common Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<b>Calendar Year 2016</b>				
First quarter	\$ 3.44	\$ 2.50	\$ 3.30	\$ 2.57
Second quarter	3.10	2.51	2.96	2.50
Third quarter	3.95	2.73	3.70	2.60
Fourth quarter	5.04	3.65	4.40	3.65
For the year ended December 31, 2016	5.04	2.50	4.40	2.50
<b>Calendar Year 2017</b>				
First quarter	\$ 7.00	\$ 4.81	\$ 7.35	\$ 4.90
Second quarter	7.50	6.03	7.40	6.35
Third quarter	7.77	5.87	7.75	6.10
Fourth quarter	8.92	6.32	8.89	7.05
For the year ended December 31, 2017	8.92	4.81	8.89	4.90

### Dividends

Prior to June 2016, no cash dividends were paid on the Company's common stock. Since June 2016, the Company's board of directors has declared quarterly cash dividends on the Company's Class A and Class B Common Stock as follows:

	<u>Record Date</u>	<u>Payment Date</u>	<u>Per Common Share Distribution Amount</u>
March 2018	3/26/2018	4/20/2018	\$ 0.01
March	3/20/2017	4/20/2017	\$ 0.0075
June	6/26/2017	7/20/2017	0.0075
September	9/29/2017	10/20/2017	0.0075
December	12/20/2017	1/22/2018	0.0075
Total for 2017			\$ 0.0300
June	6/20/2016	7/20/2016	\$ 0.005
September	9/23/2016	10/20/2016	0.005
December	12/19/2016	1/20/2017	0.005
Total for 2016			\$ 0.015

Future declaration and payment of cash dividends with respect to the Company's common stock, if any, will be determined in light of the then-current financial condition of the Company and other factors deemed relevant by the board of directors.

See the "Liquidity and Capital Resources" section of "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion regarding the dependence of BBX Capital on dividends from Bluegreen and the ability of Bluegreen to pay dividends to the Company, as well as restrictions pertaining thereto.

### Issuer Purchases of Equity Securities

On September 21, 2009, our board of directors approved a share repurchase program which authorized the repurchase of up to 20,000,000 shares of the Company's Class A Common Stock and Class B Common Stock at an aggregate cost

of up to \$10 million. On June 13, 2017, our board of directors approved a share repurchase program which replaced the September 2009 share repurchase program and authorizes the repurchase of up to 5,000,000 shares of the Company's Class A Common Stock and Class B Common Stock at an aggregate cost of up to \$35 million. The June 2017 repurchase program authorizes management, at its discretion, to repurchase shares from time to time subject to market conditions and other factors. During April 2017, the Company repurchased 1.0 million shares of its Class A Common Stock under the September 2009 share repurchase program for approximately \$6.2 million. During April 2016, the Company repurchased 1.0 million shares of its Class A Common Stock under the September 2009 share repurchase program for approximately \$3.0 million.

As of December 31, 2017, 321,593 shares of the Company's Class A Common Stock have been repurchased for approximately \$2.4 million under the June 2017 share repurchase program.

From September 30, 2017 through October 8, 2017, a total of 2,394,492 shares of the Company's Class A Common Stock and 176,132 shares of the Company's Class B Common Stock previously owned by certain executive officers were surrendered to the Company by the executive officers as payment in satisfaction of tax withholding obligations relating to the vesting of certain previously reported restricted stock awards and units granted to the executive officers. Further information regarding these repurchases during the quarter ended December 31, 2017, is set forth in the table below:

<b>Period</b>	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</b>
October 1 – October 31, 2017 <sup>(1)</sup>	2,570,624	\$7.38	-	5,000,000 shares (or approximately \$35,000,000)
November 1 – November 30, 2017 <sup>(2)</sup>	321,593	\$7.56	321,593	4,678,407 shares (or approximately \$32,567,000)
December 1 – December 31, 2017	-	\$ -	-	4,678,407 shares (or approximately \$32,567,000)
<b>Total</b>	<b>2,892,217</b>	<b>\$7.40</b>	<b>-</b>	<b>4,678,407 shares (or approximately \$32,567,000)</b>

(1) These shares were surrendered to the Company by certain executive officers in satisfaction of tax withholding obligations and were not repurchased under a share repurchase program.

(2) The shares repurchased in November 2017 were made under the June 2017 share repurchase program.

## Equity Compensation Plan Information

The following table lists awards previously granted and outstanding, and securities authorized for issuance, under the Company's equity compensation plans at December 31, 2017:

<b>Plan category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants or Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants or Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Outstanding Options, Warrants, or Rights)<sup>(1)</sup></b>
Equity compensation plans approved by security holders	27,346	\$8.98	2,228,802
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>27,346</b>	<b>\$8.98</b>	<b>2,228,802</b>

(1) In January 2018, the Company's Compensation Committee of the board of directors granted 1,487,051 restricted shares of the Company's Class B Common Stock to the Company's executive officers under the BBX Capital Corporation 2014 Incentive Plan reducing the number of securities remaining available for future issuance under equity compensation plans to 741,751.

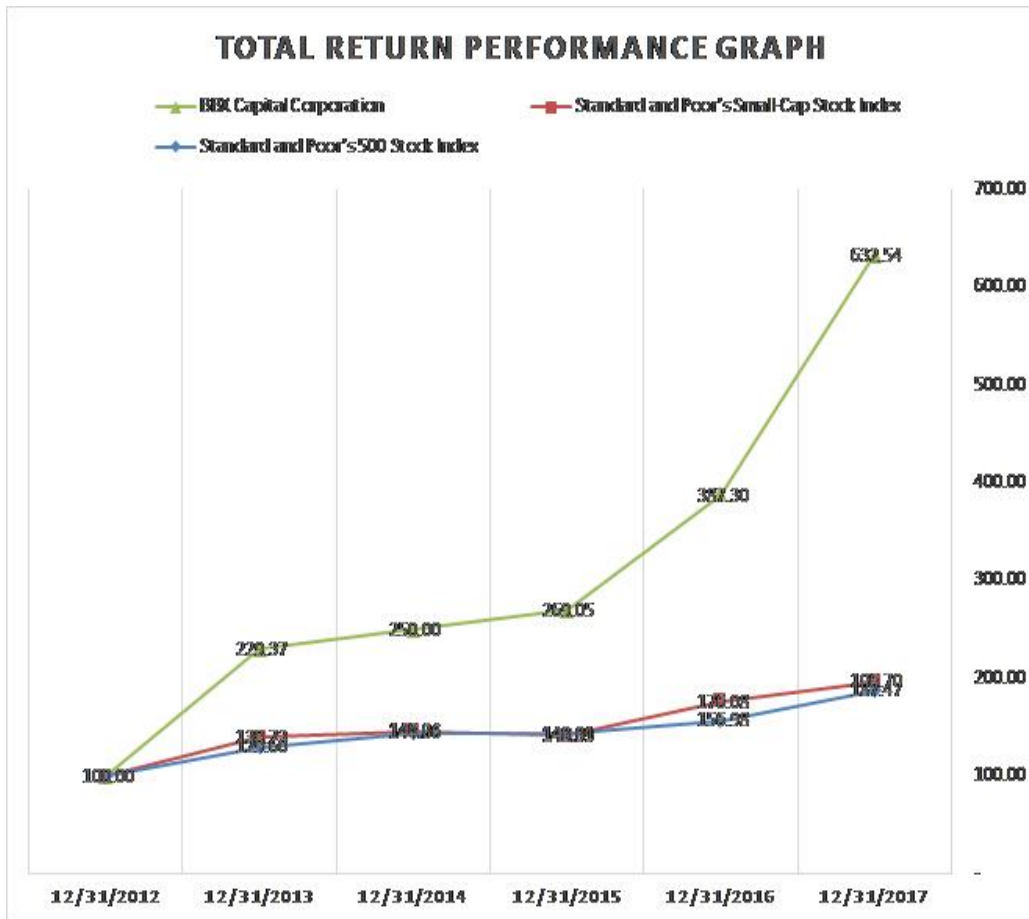
The Company assumed BCC's equity compensation plans upon consummation of the acquisition of all the outstanding shares of BCC not owned by the Company pursuant to a merger agreement on December 15, 2016. Pursuant to the merger agreement for this transaction, awards outstanding under the BCC Equity Compensation Plan at December 15, 2016 continue to be outstanding and governed by the BBX Capital 2005 Restricted Stock and Option Plan, and the BBX Capital 2014 Stock Incentive Plan, except that such awards were converted into awards that are eligible to be settled in shares of the Company's Class A Common Stock resulting in the issuance of 5,090,354 restricted shares of the Company's Class A Common Stock and non-qualifying stock options to acquire 35,716 shares of the Company's Class A Common Stock at December 15, 2016. No further awards will be granted under the BCC equity compensation plans.

## Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total returns (assuming reinvestment of dividends) for the Company's Class A Common Stock, the Standard and Poor's 500 Stock Index and Standard and Poor's Small-Cap Stock Index and assumes \$100 was invested on December 31, 2012.

	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>
BBX Capital Corporation	\$ 100.00	229.37	250.00	269.05	387.30	632.54
Standard and Poor's Small-Cap Stock Index	100.00	139.73	146.04	140.99	176.08	196.70
Standard and Poor's 500 Stock Index	100.00	129.60	144.36	143.31	156.98	187.47





The Company is not able to identify a group of peer companies or industry or line of business index which it believes is comparable to the Company and its current activities. Accordingly, the Company selected the Standard and Poor's Small-Cap Stock Index based on the Company's market capitalization.

The performance graph should not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such filing.

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data as of and for the periods indicated below. The selected historical consolidated statements of operations for fiscal years 2017, 2016 and 2015 and the selected consolidated statements of financial conditions as of December 31, 2017 and 2016 are derived from our audited consolidated financial statements included in Item 8 of this report. The selected historical consolidated statements of operations for fiscal years 2014 and 2013 and the selected consolidated statements of financial condition as of December 31, 2015, 2014 and 2013 set forth below are derived from our previously filed audited consolidated financial statements not included in this report and have been updated to conform to the current presentation.

	<u>For the Years Ended December 31,</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>(Dollars in thousands, except for per share data)</u>				
<b>Statements of Operations Data:</b>					
Total revenues	\$ 815,782	767,295	744,257	676,966	563,991
Total cost and expenses	<u>736,698</u>	<u>703,108</u>	<u>676,971</u>	<u>611,300</u>	<u>466,706</u>
Equity in earnings (loss) from unconsolidated real estate joint ventures	14,483	13,630	(1,565)	(573)	(30)
Foreign exchange (loss) gain	(193)	219	(1,038)	(715)	(357)
Income before income taxes	93,374	78,036	64,683	64,378	96,898
Benefit (provision) for income taxes <sup>(1)</sup>	7,223	(36,379)	76,596	(37,073)	(26,141)
Net income	100,597	41,657	141,279	27,305	70,757
Less: Net income attributable to noncontrolling interests	18,402	13,295	18,805	13,455	41,694
Net income attributable to shareholders	\$ <u>82,195</u>	<u>28,362</u>	<u>122,474</u>	<u>13,850</u>	<u>29,063</u>
<b>Common Share Data <sup>(2)</sup></b>					
<b>Basic earnings per share of common stock:</b>	\$ <u>0.83</u>	<u>0.33</u>	<u>1.41</u>	<u>0.16</u>	<u>0.35</u>
<b>Diluted earnings per share of common stock:</b>	\$ <u>0.79</u>	<u>0.32</u>	<u>1.40</u>	<u>0.16</u>	<u>0.35</u>
Basic weighted average number of common shares outstanding	98,745	86,902	87,022	84,502	83,202
Diluted weighted average number of common shares outstanding	<u>103,916</u>	<u>87,492</u>	<u>87,208</u>	<u>84,761</u>	<u>84,624</u>
<b>Cash dividends declared per common share <sup>(3)</sup>:</b>	\$ 0.030	0.015	-	-	-
<b>Book value per share <sup>(4)</sup>:</b>	\$ 5.75	4.64	4.46	3.03	3.05
<b>Fully diluted book value per share <sup>(5)</sup>:</b>	5.52	4.22	4.21	2.84	2.77

**As of December 31,**

	2017	2016	2015	2014	2013
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(Dollars in thousands)

**Statements of Financial Condition Data:**

Loans, loans held-for-sale and notes receivable, net	\$	451,255	456,001	470,987	486,534	581,641
VOI Inventory		281,291	238,534	220,211	194,713	204,256
Total assets		1,606,665	1,436,068	1,340,960	1,402,453	1,430,128
Borrowings <sup>(6)</sup>		700,646	701,146	675,391	661,583	682,729
Shareholders' equity		573,230	454,604	376,826	252,906	239,421
Noncontrolling interests		80,271	40,850	106,080	193,800	182,975
Total equity		653,501	495,454	482,906	446,706	422,396

- (1) The benefit for income taxes for the year ended December 31, 2017 was the result of the reduction in the Company's net deferred income tax liability associated with the enactment of the Tax Cuts and Jobs Act which permanently lowered the corporate income tax rate from 35% to 21%. The benefit for income taxes for the year ended December 31, 2015 was the result of a \$127.8 million reversal of a portion of the Company's deferred tax asset valuation allowance on May 1, 2015 when the Company became eligible to file a consolidated group federal income tax return with BCC, Woodbridge, and Bluegreen as a result of the Company's purchase of additional shares of BCC's Class A Common Stock on April 30, 2015 and related increase in its ownership in BCC to 81%.
- (2) While the Company has two classes of common stock outstanding, the two-class method is not presented because the Company's capital structure does not provide for different dividend rates or other preferences, other than voting rights, between the two classes.
- (3) During the year ended December 31, 2017, the Company declared quarterly cash dividends of \$0.0075 per share on its Class A and Class B Common Stock. During the year ended December 31, 2016, the Company declared quarterly cash dividends of \$0.005 per share on its Class A and Class B Common Stock beginning in June 2016.
- (4) The numerator of book value per share for all periods is shareholders' equity. The denominator of book value per share for all periods was computed by adding the number of Class A and Class B common shares outstanding at year-end.
- (5) The numerator of fully diluted book value per share for all periods is shareholders' equity. The denominator of fully diluted book value per share for all periods was computed by adding the number of Class A and Class B shares outstanding at year end and the number of non-vested restricted stock awards and exercisable stock options.
- (6) Borrowings consist of notes payable and other borrowings, receivable-backed notes payable and junior subordinated debentures.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Overview**

BBX Capital Corporation (referred to together with its subsidiaries as the "Company," "we," "us," or "our," and without its subsidiaries as "BBX Capital") is a Florida-based diversified holding company with investments in Bluegreen Vacations Corporation ("Bluegreen"), real estate and real estate joint ventures, and middle market operating businesses. Bluegreen is a sales, marketing and management company focused on the vacation ownership industry. The Company's real estate investments include real estate joint ventures and the acquisition, development, ownership, financing, and management of real estate. The Company's investments in middle market operating businesses include Renin Holdings, LLC ("Renin"), a company that manufactures products for the home improvement industry, investments in confectionery businesses through its wholly-owned subsidiary, BBX Sweet Holdings, LLC ("BBX Sweet Holdings"), and more recently, its activities as a franchisee of MOD Super Fast Pizza, LLC ("MOD").

As of December 31, 2017, the Company had total consolidated assets of approximately \$1.6 billion and shareholders' equity of approximately \$573.2 million. Net income attributable to shareholders for the years ended December 31, 2017, 2016 and 2015 was approximately \$82.2 million, \$28.4 million and \$122.5 million, respectively.

### **Summary of Consolidated Results of Operations**

#### ***Consolidated Results***

The following summarizes key financial highlights for the year ended December 31, 2017:

- Total consolidated revenues were \$815.8 million, a 6.3% increase compared to 2016.
- Income before income taxes was \$93.4 million, a 19.7% increase compared to 2016.
- Net income attributable to common shareholders was \$82.2 million, a 189.8% increase compared to 2016.
- Diluted earnings per share was \$0.79 per diluted share, a \$0.46 per share increase compared to 2016.

The Company's consolidated results for 2017 were significantly impacted by the following events:

- In June 2017, BBX Sweet Holdings acquired IT'SUGAR, a specialty candy retailer with 95 locations in 26 states and Washington, DC, for a purchase price of \$58.4 million, net of cash acquired. The acquisition of IT'SUGAR contributed revenues of \$46.8 million and income before taxes of \$2.6 million during 2017.
- On November 17, 2017, Bluegreen completed an initial public offering ("IPO") of its common stock by selling to the public 3,736,723 of Bluegreen shares and Woodbridge selling 2,761,925 of Bluegreen shares as a selling shareholder. In connection with the offering, Woodbridge granted the underwriters a 30-day option to purchase up to an additional 974,797 shares from Woodbridge, and on December 5, 2017, the underwriters purchased all of the additional 974,797 option shares from Woodbridge. As a result, the Company currently owns approximately 90% of Bluegreen, which resulted in the allocation of \$5.6 million of Bluegreen's net income to the noncontrolling interests during 2017.
- In December 2017, the enactment of the Tax Cuts and Jobs Act, which reduced the federal corporate tax rate from 35% to 21%, resulted in a \$43.1 million reduction in the Company's deferred tax liability.
- During the fourth quarter of 2017, BBX Sweet Holdings recorded non-cash goodwill, intangible assets and property and equipment impairments aggregating \$5.2 million associated with declining profits in its Orlando manufacturing operations, the elimination of unprofitable brands, and the exploration of strategic alternatives for its manufacturing facility in Utah.

#### ***Segment Results***

We currently report the results of our business activities through the following reportable segments: Bluegreen, BBX Capital Real Estate, Renin and BBX Sweet Holdings.

Information regarding income before income taxes by reportable segment for the years ended December 31, 2017, 2016 and 2015 is set forth in the table below (in thousands):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Bluegreen	\$ 135,336	124,948	124,320
BBX Capital Real Estate	18,533	34,719	45,474
Renin	2,180	857	(2,058)
BBX Sweet Holdings	(16,783)	(14,945)	(8,768)
Corporate Expenses & Other	(45,892)	(67,543)	(94,285)
Income before income taxes	93,374	78,036	64,683
Benefit (provision) for income taxes	7,223	(36,379)	76,596
Net income	100,597	41,657	141,279
Less: Net income attributable to noncontrolling interests	18,402	13,295	18,805
Net income attributable to shareholders	\$ 82,195	28,362	122,474

## **Bluegreen Reportable Segment**

### ***Executive Overview***

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in top leisure and urban destinations. Bluegreen's resort network includes 43 Club Resorts (resorts in which owners in its Vacation Club have the right to use most of the units in connection with their VOI ownership) and 24 Club Associate Resorts (resorts in which owners in its Vacation Club have the right to use a limited number of units in connection with their VOI ownership). Bluegreen's Club Resorts and Club Associate Resorts are primarily located in popular, high-volume, "drive-to" vacation locations, including Orlando, Las Vegas, Myrtle Beach and Charleston, among others. Through its points-based system, the approximately 213,000 owners in its Vacation Club have the flexibility to stay at units available at any of its resorts and have access to almost 11,000 other hotels and resorts through partnerships and exchange networks. Bluegreen has a robust sales and marketing platform supported by exclusive marketing relationships with nationally-recognized consumer brands, such as Bass Pro and Choice Hotels. These marketing relationships drive sales within its core demographic.

### ***VOI Sales and Financing***

Bluegreen's primary business is the marketing and selling of deeded VOIs, developed either by Bluegreen or third parties. Customers who purchase these VOIs receive an annual allotment of points, which can be redeemed for stays at one of its resorts or at 11,000 other hotels and resorts available through partnerships and exchange networks. Historically, VOI companies have funded the majority of the capital investment in connection with resort development with internal resources and acquisition and development funding. In 2009, Bluegreen began selling VOIs on behalf of third-party developers and has successfully diversified from a business focused on capital-intensive resort development to a flexible model with a balanced mix of developed and capital-light inventory. Bluegreen relationships with third-party developers enable it to generate fees from the sales and marketing of their VOIs without incurring the significant upfront capital investment generally associated with resort acquisition or development. While sales of acquired or developed inventory typically result in greater Adjusted EBITDA contribution, fee-based sales require no initial investment or development financing risk. Both acquired or developed VOI sales and fee-based VOI sales drive recurring, incremental and long-term fee streams by adding owners to its Vacation Club and new resort management contracts. In conjunction with its VOI sales, Bluegreen also generates interest income by originating loans for qualified purchasing owners. Collateralized by the underlying VOIs, Bluegreen's loans are generally structured as 10-year, fully-amortizing loans with a fixed interest rate ranging from approximately 12% to approximately 18% per annum. As of December 31, 2017, the weighted-average interest rate on its VOI notes receivable was 15.3%. In addition, Bluegreen earns fees for various other services that produce recurring, predictable and long-term revenue. For example, Bluegreen provides title and escrow services for fees in connection with the closing of VOI sales, and generates fees for mortgage servicing and construction management services.

### ***Resort Operations and Club Management***

Bluegreen enters into management agreements with the HOAs that maintain most of the resorts and earn fees for providing management services to those HOAs and Bluegreen's approximately 213,000 Vacation Club owners. These resort management services include oversight of housekeeping services, maintenance, and certain accounting and administration functions. Bluegreen's management contracts yield highly predictable, recurring cash flows and do not have the traditional risks associated with hotel management contracts that are linked to daily rate or occupancy. Bluegreen's management contracts are typically structured as "cost-plus," with an initial term of three years and automatic one-year renewals. In connection with the management services provided to the Vacation Club, Bluegreen manages the reservation system and provide owner, billing and collection services. Bluegreen has not lost any of the 43 Club Resort management contracts. In addition to resort and club management services, Bluegreen earns fees for various other services that produce recurring, predictable and long term-revenue including construction management services to third-party developers.

### ***Principal Components Affecting Bluegreen's Results of Operations***

#### ***Principal Components of Revenues***

*Fee-Based Sales.* Represent sales of third-party VOIs where Bluegreen is paid a commission.

*JIT Sales.* Represent sales of VOIs acquired from third parties in close proximity to when Bluegreen intends to sell such VOIs.

*Secondary Market Sales.* Represent sales of VOIs acquired from HOAs or other owners, typically in connection with maintenance fee defaults. This inventory is generally purchased at a greater discount to retail price compared to developed VOI sales and JIT sales.

*Developed VOI Sales.* Represent sales of VOIs in resorts that Bluegreen has developed or acquired (not including inventory acquired through JIT and secondary market arrangements).

*Financing Revenue.* Represents interest income from the financing of VOI sales, which includes interest income and loan servicing fees. Bluegreen also earns fees from providing mortgage servicing to certain third-party developers to purchasers of their VOIs.

*Other Fee-Based Services.* Represents resort operation and club management recurring fees from managing the Vacation Club and transaction fees for certain resort amenities and certain member exchanges. Bluegreen also earns recurring management fees under its management agreements with HOAs for day-to-day management services, including oversight of housekeeping services, maintenance, and certain accounting and administrative functions.

Bluegreen also includes in other fee-based services revenue earned from various other services that produce recurring, predictable and long-term revenue, such as title services.

#### *Principal Components of Expenses*

*Cost of VOIs Sold.* Represents the cost at which Bluegreen's owned VOIs sold during the period were relieved from inventory. In addition to inventory from Bluegreen's VOI business, Bluegreen's owned VOIs also include those that were acquired by Bluegreen under JIT and secondary market arrangements. Compared to the cost of Bluegreen's developed VOI inventory, VOIs acquired in connection with JIT arrangements typically have a relatively higher associated cost of sales as a percentage of sales while those acquired in connection with secondary market arrangements typically have a lower cost of sales as a percentage of sales as secondary market inventory is generally obtained from HOAs at a significant discount to retail price. Cost of VOIs sold as a percentage of sales of VOIs varies between periods based on the relative costs of the specific VOIs sold in each period and the size of the point packages of the VOIs sold (primarily due to offered volume discounts, and taking into account consideration of cumulative sales to existing owners). Additionally, the effect of changes in estimates under the relative sales value method, including estimates of projected sales, future defaults, upgrades and incremental revenue from the resale of repossessed VOI inventory, are reflected on a retrospective basis in the period the change occurs. Cost of sales will typically be favorably impacted in periods where a significant amount of secondary market VOI inventory is acquired and the resulting change in estimate is recognized. While Bluegreen believes that there is additional inventory that can be obtained through the secondary market at favorable prices in the future, there can be no assurance that such inventory will be available as expected.

*Net Carrying Cost of VOI Inventory.* Represents the maintenance fees and developer subsidies for unsold VOI inventory paid or accrued to the HOAs that maintain the resorts. Bluegreen attempts to offset this expense, to the extent possible, by generating revenue from renting VOIs and through utilizing them in sampler programs. Bluegreen nets such revenue from this expense item.

*Selling and Marketing Expense.* Represents costs incurred to sell and market VOIs, including costs relating to marketing and incentive programs, tours, and related wages and sales commissions. Revenues from vacation package sales are netted against selling and marketing expenses.

*Financing Expense.* Represents financing interest expense related to Bluegreen's receivable-backed debt and amortization of the related debt issuance costs and other expenses incurred in providing financing and servicing loans. Additionally, financing expense includes the administrative costs associated with payment processing of costs of Bluegreen's loans and the loans of certain third-party developers.

*Cost of Other Fee-Based Services.* Represents costs incurred to manage resorts and the Vacation Club, including payroll and related costs and other administrative costs to the extent not reimbursed by the Vacation Club or HOAs. Bluegreen also includes in costs of other fee-based services expense from various other services that produce recurring, predictable and long-term revenue, such as cost associated with title services.

*General and Administrative Expense.* Primarily represents compensation expense for personnel supporting Bluegreen's business and operations, professional fees (including consulting, audit and legal fees), and administrative and related expenses.





### ***Key Business and Financial Metrics and Terms Used by Management***

*Sales of VOIs.* Represent sales of Bluegreen's owned VOIs, including developed VOIs, and those acquired through JIT and secondary market arrangements, reduced by equity trade allowances and an estimate of uncollectible VOI notes receivable. In addition to the factors impacting system-wide sales of VOIs, net, sales of VOIs are impacted by the proportion of system-wide sales of VOIs, net sold on behalf of third-parties on a commission basis, which are not included in sales of VOIs.

*System-wide Sales of VOIs, net.* Represents all sales of VOIs, whether owned by Bluegreen or a third party immediately prior to the sale. Sales of VOIs owned by third parties are transacted as sales of VOIs in Bluegreen's Vacation Club through the same selling and marketing process used to sell Bluegreen's VOI inventory. Bluegreen considers system-wide sales of VOIs, net to be an important operating measure because it reflects all sales of VOIs by Bluegreen's sales and marketing operations without regard to whether Bluegreen or a third party owned such VOI inventory at the time of sale. System-wide sales of VOIs, net is not a recognized term under GAAP and should not be considered as an alternative to sales of VOIs or any other measure of financial performance derived in accordance with GAAP or to any other method of analyzing our results as reported under GAAP.

*Guest Tours.* Represents the number of sales presentations given at Bluegreen's sales centers during the period.

*Sale to Tour Conversion Ratio.* Represents the rate at which guest tours are converted to sales of VOIs and is calculated by dividing guest tours by number of VOI sales transactions.

*Average Sales Volume Per Guest ("VPG").* Represents the sales attributable to tours at Bluegreen's sales locations and is calculated by dividing VOI sales by guest tours. Bluegreen considers VPG to be an important operating measure because it measures the effectiveness of Bluegreen's sales process, combining the average transaction price with the sale-to-tour conversion ratio.

*EBITDA.* Bluegreen defines EBITDA as earnings, or net income, before taking into account interest income (excluding interest earned on VOI notes receivable), interest expense (excluding interest expense incurred on debt secured by Bluegreen's VOI notes receivable), income and franchise taxes, and depreciation and amortization. For the purposes of the EBITDA calculation, no adjustments were made for interest income earned on Bluegreen's VOI notes receivable or the interest expense incurred on debt that is secured by such notes receivable because they are both considered to be part of the operations of Bluegreen's business.

*Adjusted EBITDA.* Bluegreen defines Adjusted EBITDA as EBITDA adjusted for amounts attributable to the non-controlling interest in Bluegreen/Big Cedar Vacations (in which Bluegreen owns a 51% interest) and items that Bluegreen believes are not representative of ongoing operating results.

Bluegreen considers EBITDA and Adjusted EBITDA to be an indicator of its operating performance, and it is used by Bluegreen to measure its ability to service debt, fund capital expenditures and expand its business. EBITDA is also used by companies, lenders, investors and others because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

Bluegreen considers Adjusted EBITDA to be a useful supplemental measure of Bluegreen's operating performance that facilitates the comparability of historical financial periods.

EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) or any other measure of financial performance or liquidity, including cash flow, derived in accordance with GAAP, or to any other method or analyzing Bluegreen's results as reported under GAAP. The limitations of using EBITDA or Adjusted EBITDA as an analytical tool include, without limitation, that EBITDA or Adjusted EBITDA does not reflect (i) changes in, or cash requirements for, working capital needs; (ii) interest expense, or the cash requirements necessary to service interest or principal payments on indebtedness (other than as noted above); (iii) tax expense or the cash requirements to pay taxes; (iv) historical cash expenditures or future requirements for capital expenditures or contractual commitments; or (v) the effect on earnings or changes resulting from matters that Bluegreen

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considers not to be indicative of its future operations or performance. Further, although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA or Adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, Bluegreen's definition of Adjusted EBITDA may not be comparable to definitions of Adjusted EBITDA or other similarly titled measures used by other companies.

## Results of Operations

For the years ended December 31, 2017, 2016 and 2015

Information regarding the results of operations for Bluegreen for the years ended December 31, 2017, 2016 and 2015 are set forth below (dollars in thousands):

	For the Years Ended December 31,					
	2017		2016		2015	
	Amount	% of System-wide sales of VOIs, net <sup>(5)</sup>	Amount	% of System-wide sales of VOIs, net <sup>(5)</sup>	Amount	% of System-wide sales of VOIs, net <sup>(5)</sup>
Developed Sales <sup>(1)</sup>	\$ 296,486	48%	\$ 394,745	65%	\$ 424,304	77%
Secondary Market sales	182,108	30%	164,991	27%	138,487	25%
Fee-Based sales	330,854	54%	294,822	49%	251,399	45%
JIT sales	45,982	7%	39,626	7%	27,593	5%
Less: Equity trade allowances <sup>(6)</sup>	(238,780)	-39%	(288,792)	-48%	(289,060)	-52%
System-wide sales of VOIs, net	616,650	100%	605,392	100%	552,723	100%
Less: Fee-Based sales	(330,854)	-54%	(294,822)	-49%	(251,399)	-45%
Gross sales of VOIs	285,796	46%	310,570	51%	301,324	55%
Estimated uncollectible VOI notes receivable <sup>(2)</sup>	(46,134)	-16%	(44,428)	-14%	(42,088)	-14%
Sales of VOIs	239,662	39%	266,142	44%	259,236	47%
Cost of VOIs sold <sup>(3)</sup>	(17,439)	-7%	(27,346)	-10%	(22,884)	-9%
Gross profit <sup>(3)</sup>	222,223	93%	238,796	90%	236,352	91%
Fee-based sales commission revenue <sup>(4)</sup>	229,389	69%	201,829	68%	173,659	69%
Financing revenue, net of financing expense	56,899	9%	58,657	10%	48,633	9%
Other fee-based services revenue	111,819	18%	103,448	17%	97,539	18%
Cost of other fee-based services	(64,116)	-10%	(57,632)	-10%	(53,896)	-10%
Net carrying cost of VOI inventory	(4,220)	-1%	(6,847)	-1%	(7,046)	-1%
Selling and marketing expenses	(319,211)	-52%	(314,039)	-52%	(284,351)	-51%
General and administrative expenses	(97,759)	-16%	(100,988)	-17%	(89,453)	-16%
Operating profit	135,024	22%	123,224	20%	121,437	22%
Other income	312		1,724		2,883	
Benefit (provision) for income taxes	2,974		(40,172)		(42,311)	
<b>Net income</b>	<b>\$ 138,310</b>		<b>\$ 84,776</b>		<b>\$ 82,009</b>	
<i>Adjustments for EBITDA:</i>						
Benefit (provision) for income taxes	(2,974)		40,172		42,311	
Income before taxes	135,336		124,948		124,320	
Depreciation	9,632		9,536		9,181	
Franchise taxes	178		186		130	
Interest expense (other than interest incurred on debt that is secured by VOI notes receivable)	12,168		12,505		15,390	
Interest income (other than interest earned on VOI notes receivable)	(6,874)		(8,167)		(5,652)	
<b>EBITDA</b>	<b>150,440</b>		<b>139,008</b>		<b>143,369</b>	
<i>Adjustments for Adjusted EBITDA:</i>						
Corporate realignment costs	5,836		-		-	
One-time payment to Bass Pro	4,781		-		-	
Loss(gain) on assets held for sale	46		(1,423)		56	
One-time special bonus	-		10,000		-	
EBITDA attributable to non-controlling interest in Bluegreen/Big Cedar Vacations	(12,509)		(9,705)		(11,197)	
<b>Adjusted EBITDA</b>	<b>\$ 148,594</b>		<b>\$ 137,880</b>		<b>\$ 132,228</b>	



- (1) Developed VOI sales represent sales of VOIs acquired or developed by Bluegreen under its developed VOI business. Developed VOI sales do not include Secondary Market sales, Fee-Based sales or JIT sales.
- (2) Percentages for estimated uncollectible VOI notes receivable are calculated as a percentage of gross sales of VOIs, which excludes Fee-Based sales (and not of system-wide sales of VOIs, net).
- (3) Percentages for costs of VOIs sold and gross profit are calculated as a percentage of sales of VOIs (and not of system-wide sales of VOIs, net).
- (4) Percentages for Fee-Based sales commission revenue are calculated as a percentage of Fee-Based sales (and not of system-wide sales of VOIs, net).
- (5) Represents the applicable line item, calculated as a percentage of system-wide sales of VOIs, net, unless otherwise indicated in the above footnotes.
- (6) Equity trade allowances are amounts granted to customers upon trading in their existing VOIs in connection with the purchase of additional VOIs.

*Bluegreen - For the year ended December 31, 2017 compared to the year ended December 31, 2016*

*Sales of VOIs.* Sales of VOIs were \$239.7 million and \$266.1 million during the years ended December 31, 2017 and 2016, respectively. Gross sales of VOIs were reduced by \$46.1 million and \$44.4 million during the years ended December 31, 2017, and 2016, respectively, for estimated future uncollectible notes receivable. Estimated losses for uncollectible VOI notes receivable vary with the amount of financed, non-fee based sales during the period and changes in Bluegreen's estimates of future notes receivable performance for existing and newly originated loans. Bluegreen's estimated uncollectible VOI notes receivable as a percentage of gross sales of VOIs were 16% and 14%, during the years ended December 31, 2017 and 2016, respectively. The percentage of Bluegreen's sales which were realized in cash within 30 days from the sale of VOIs decreased to 39% during the year ended December 31, 2017 from 41% during the year ended December 31, 2016. This resulted in an increase in the portion of such sales requiring an estimate of losses for uncollectible VOI notes receivable. Bluegreen has in recent years experienced an increase in its default rates. Bluegreen believes that a significant portion of the default increase in recent years is due in part to the receipt of letters from attorneys who purport to represent certain VOI owners and who have encouraged such owners to become delinquent and ultimately default on their obligations. See "Item 3. Legal Proceedings" for additional information regarding such letters and actions taken by Bluegreen in connection therewith. While Bluegreen believes its notes receivable are adequately reserved at this time, actual defaults may differ from the estimates and the reserve may not be adequate. In addition to the factors described below impacting system-wide sales of VOIs, net, sales of VOIs are impacted by the proportion of system-wide sales of VOIs, net sold on behalf of third parties on a commission basis, which are not included in sales of VOIs.

The average default rates and delinquency rates (more than 30 days past due) on Bluegreen's VOI notes receivable were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Average annual default rates	8.50%	7.50%
	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Delinquency rates	3.04%	3.30%

*System-wide sales of VOIs, net.* System-wide sales of VOIs, net were \$616.7 million and \$605.4 million during the years ended December 31, 2017 and 2016, respectively. This growth reflected an increase in the average sales price (per transaction), partially offset by a decrease in the number of guest tours and the sale-to-tour conversion ratio. The average sales price per transaction increased by 12% for the year ended December 31, 2017 compared to the year ended December 31, 2016. During 2017, Bluegreen began screening the credit qualifications of potential marketing guests, resulting in a higher average transaction price, higher VPG, and a lower number of tours in the year ended December 31, 2017. Bluegreen believes its screening of marketing guests will ultimately result in improved efficiencies in its sales process, however this has not yet occurred and there is no assurance that efficiencies will be achieved.

Included in system-wide sales are Fee-Based Sales, JIT Sales, Secondary Market Sales and developed VOI sales. Sales by category are tracked based on which deeded VOI is conveyed in each transaction. Bluegreen manages which VOIs are sold based on several factors, including the needs of fee-based clients, Bluegreen's debt service requirements and default resale requirements under term securitization and similar transactions. These factors contribute to fluctuations in the amount of sales by category from period to period.

The following table sets forth certain information for system-wide sales of VOIs, net for 2017 and 2016. The information is provided before giving effect to the deferral of VOI sales in accordance with GAAP:

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Number of sales offices at period-end	23	23	-
Number of active sales arrangements with third-party clients at period-end	16	18	-11%
Total number of VOI sales transactions	40,705	45,340	-10%
Average sales price per transaction	\$ 15,365	\$ 13,727	12%
Number of total guest tours	252,257	274,987	-8%
Sale-to-tour conversion ratio– total marketing guests	16.1%	16.5%	-2%
Number of new guest tours	162,083	190,235	-15%
Sale-to-tour conversion ratio– new marketing guests	13.4%	13.5%	-1%
Percentage of sales to existing owners	49.4%	46.0%	7%
Average sales volume per guest	\$ 2,479	\$ 2,263	10%

*Cost of VOIs Sold.* During the years ended December 31, 2017 and 2016, cost of VOIs sold was \$17.4 million and \$27.3 million, respectively, and represented 7% and 10%, respectively, of sales of VOIs. During 2017, Bluegreen increased the average selling price of VOIs by approximately 4%. As a result of this pricing change, Bluegreen also increased its estimate of total gross margin that will be generated on the sale of its VOI inventory under the relative sales value method. Under the relative sales value method prescribed for timeshare developers to relieve the cost of VOI inventory, changes to the estimate of gross margin expected to be generated on the sale of VOI inventory are recognized on a retrospective basis in earnings. Accordingly, during the second quarter of 2017, Bluegreen recognized a benefit to cost of VOIs sold of \$5.1 million. Further, in September 2016, Bluegreen increased the selling price of its VOIs by 5%. Accordingly, during the third quarter of 2016, Bluegreen recognized a benefit to cost of VOIs sold of \$5.6 million.

*Fee-Based Sales Commission Revenue.* During the years ended December 31, 2017 and 2016, Bluegreen sold \$330.9 million and \$294.8 million, respectively, of third-party VOI inventory under commission arrangements and earned sales and marketing commissions of \$229.4 million and \$201.8 million, respectively, in connection with those sales. This increase was due primarily to an increase in commission rates with certain commission based clients, as well as the factors described above related to the increase in system-wide sales of VOIs, net. Bluegreen earned an average sales and marketing commission of 69% and 68% during the years ended December 31, 2017 and 2016, respectively. Additionally, the increase in 2017 included an incentive commission of \$4.5 million related to the achievement of certain sales thresholds pursuant to the terms and conditions of the applicable contractual arrangement, as compared to a \$3.0 million incentive commission earned in 2016.

*Financing Revenue, Net of Financing Expense.* During the years ended December 31, 2017 and 2016, financing revenue, net of financing expense were \$56.9 million and \$58.7 million, respectively. The increase is a result of Bluegreen's lower cost of borrowing and an increase in its VOI notes receivable portfolio, in connection with the introduction of "risk-based pricing" pursuant to which, buyer's interest rates are determined based on their FICO score at the point of sale. As a result, Bluegreen has realized 2017 loan originations (after 30-day payoffs same as cash), with a weighted average FICO score of 724 compared to 716 for 2016.

*Other Fee-Based Services Revenue.* During the years ended December 31, 2017 and 2016, revenue from Bluegreen's resort operations, club management and title operations was \$111.8 million and \$103.4 million, respectively, which was partially offset by expenses directly related to these operations of \$64.1 million and \$57.6 million, respectively.

Other fee-based services revenue increased 8% during the year ended December 31, 2017 as compared to the year ended December 31, 2016. Bluegreen provides management services to the Vacation Club and to a majority of the HOAs of the resorts within the Vacation Club. In connection with its management services, Bluegreen also manages the Vacation Club reservation system, provides services to owners and performs billing and collections services to the Vacation Club and certain HOAs. The resort properties Bluegreen manages increased from 46 as of December 31, 2016 to 48 as of December 31, 2017 due to new resorts under management in Charleston, South Carolina and Banner Elk, North Carolina. Resort operations and club management revenues increased during 2017 compared to 2016 primarily as a result of such increase in the number of managed resorts and an increase in the number of owners in the Vacation Club. Additionally, Bluegreen generates revenues from its Traveler Plus program, and food and beverage and other retail operations. Bluegreen also earns commissions from providing rental services to third parties and fees from managing the construction activities of certain of its fee based third-party developer clients.





During 2017, cost of other fee-based services increased 11% compared to 2016. This increase is primarily due to the higher costs associated with programs provided to VOI owners and increased costs of providing management services as a result of the higher service volumes described above.

*Net Carrying Cost of VOI Inventory.* The carrying cost of Bluegreen’s inventory was \$16.2 million and \$16.8 million during the years ended December 31, 2017 and 2016, respectively, which was partly offset by rental and sampler revenues of \$12.0 million and \$9.9 million, respectively. The decrease in net carrying costs is a result of Bluegreen’s capital-light business activities and an increase in sampler revenues.

*Selling and Marketing Expenses.* Selling and marketing expenses were \$319.2 million and \$314.0 million during the years ended December 31, 2017 and 2016, respectively. The increase in selling and marketing expense was primarily due to increased costs from the implementation of screening the credit qualifications of potential marketing guests, including the expense of fulfillment costs associated with those guests, offset by an increase in the average sales volume per guest. As a percentage of system-wide sales of VOIs, net, selling and marketing expenses were 52% during each of the years ended December 31, 2017 and 2016. Selling and marketing expenses vary as a percentage of sales from period to period based in part on the relative proportion of marketing methods utilized during such periods, most notably the percentage of sales to Bluegreen’s existing owners, which has a relatively lower cost compared to other methods.

*General and Administrative Expenses.* General and administrative expenses were \$97.8 million and \$101.0 million during the years ended December 31, 2017 and 2016, respectively. As a percentage of system-wide sales of VOIs, net, general and administrative expenses were 16% and 17% during the years ended December 31, 2017 and 2016. The decrease in 2017 was primarily due to special bonuses totaling \$10.0 million, which were paid to certain of Bluegreen’s employees in June 2016, with no comparable 2017 special bonuses. The decreases in general administrative expenses were partly offset by a \$4.8 million commission payment to Bass Pro as well as additional accrued severance of \$2.9 million payable by Bluegreen pursuant to an agreement Bluegreen entered into with an executive during September 2017 in connection with his retirement. The \$2.9 million amount is included in the corporate realignment costs in the above table. See “Commitments” for additional information.

On October 9, 2017, Bass Pro raised an issue regarding the computation of the sales commissions paid to it on the sale of VOIs. In response to the request from Bass Pro, Bluegreen made a payment of approximately \$4.8 million to Bass Pro during the fourth quarter of 2017 in connection with this matter. While Bluegreen believes that the amount previously paid was consistent with the terms and intent of the parties’ agreements, the resolution of that issue could result in a future increase in Bluegreen’s marketing costs.

*Bluegreen - For the year ended December 31, 2016 compared to the year ended December 31, 2015*

*Sales of VOIs.* Sales of VOIs were \$266.1 million and \$259.2 million during the years ended December 31, 2016 and 2015, respectively. In addition to the factors described below impacting system-wide sales of VOIs, net, sales of VOIs are impacted by the proportion of system-wide sales of VOIs, net sold on behalf of third parties on a commission basis, which are not included in sales of VOIs. Gross sales of VOIs were reduced by \$44.4 million and \$42.1 million during the years ended December 31, 2016, and 2015, respectively, for estimated future uncollectible notes receivable. Bluegreen’s estimated uncollectible VOI notes receivable as a percentage of gross sales of VOIs were 14% during each of the years ended December 31, 2016 and 2015.

The average default rates and delinquency rates (more than 30 days past due) on Bluegreen’s VOI notes receivable were as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Average annual default rates	7.50%	6.90%
	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Delinquency rates	3.30%	3.30%

*System-wide sales of VOIs, net.* System-wide sales of VOIs, net were \$605.4 million and \$552.7 million during the years ended December 31, 2016 and 2015, respectively. This growth reflected an increase in the number of tours and the average price per transaction partially offset by a decrease in the sale-to-tour conversion ratio. During the year ended December 31, 2016, the number of tours increased 16% and the number of new prospect tours increased 22% compared to the year ended December 31, 2015. This increase reflects efforts to expand marketing to new sales prospects. The average sales price per transaction increased by 6% for the year ended December 31, 2016 compared to the year ended

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December 31, 2015. Bluegreen estimates that system-wide sales were adversely impacted by approximately \$6.3 million as a result of Hurricane Matthew and the Tennessee wildfires in 2016.

The following table sets forth certain information for system-wide sales of VOIs, net for 2016 and 2015. The information is provided before giving effect to the deferral of VOI sales in accordance with GAAP:

	<b>For the Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Number of sales offices at period-end	23	23	-
Number of active sales arrangements with third-party clients at period-end	18	15	20%
Total number of VOI sales transactions	45,340	43,576	4%
Average sales price per transaction	\$ 13,727	\$ 12,962	6%
Number of total guest tours	274,987	237,208	16%
Sale-to-tour conversion ratio— total marketing guests	16.5%	18.4%	-10%
Number of new guest tours	190,235	156,554	22%
Sale-to-tour conversion ratio— new marketing guests	13.5%	14.9%	-9%
Percentage of sales to existing owners	46.0%	48.2%	-5%
Average sales volume per guest	\$ 2,263	\$ 2,381	-5%

*Cost of VOIs Sold.* During the years ended December 31, 2016 and 2015, cost of VOIs sold was \$27.3 million, and \$22.9 million, respectively, and represented 10% and 9%, respectively, of sales of VOIs. In September 2016, Bluegreen increased the selling price of its VOIs by 5%. As a result of this pricing change, Bluegreen management also increased its estimate of total gross margin generated on the sale of its VOI inventory. Under the relative sales value method prescribed for timeshare developers to relieve the cost of VOI inventory, changes to the estimate of gross margin expected to be generated on the sale of VOI inventory are recognized on a retrospective basis in earnings. Accordingly, during the year ended December 31, 2016, Bluegreen recognized a benefit to cost of VOIs sold of \$5.6 million.

*Fee-Based Sales Commission Revenue.* During the years ended December 31, 2016 and 2015, Bluegreen sold \$294.8 million and \$251.4 million, respectively, of third-party VOI inventory under commission arrangements within its capital-light business strategy and earned sales and marketing commissions of \$201.8 million and \$173.7 million, respectively, in connection with those sales. This increase was due primarily to an increase in the number of commission based clients, as well as the factors described above related to the increase in system-wide sales of VOIs, net. Bluegreen earned an average sales and marketing commission of 68% and 69% during the years ended December 31, 2016, and 2015, respectively. The higher percentage in 2015 included an incentive commission of \$1.1 million related to the achievement of certain sales thresholds pursuant to the terms and conditions of the applicable contractual arrangement.

*Financing Revenue, Net of Financing Expense.* During the years ended December 31, 2016 and 2015, financing revenue, net of financing expense were \$58.7 million and \$48.6 million, respectively. The increase is a result of Bluegreen's lower cost of borrowing and an increase in Bluegreen's VOI notes receivable portfolio.

*Other Fee-Based Services Revenue.* During the years ended December 31, 2016 and 2015, revenue from Bluegreen's resort operations, club management and title operations was \$103.4 million and \$97.5 million, respectively, which was partially offset by expenses directly related to these operations of \$57.6 million and \$53.9 million, respectively.

Other fee-based services revenue increased 6% during the year ended December 31, 2016 as compared to the year ended December 31, 2015. As of December 31, 2016, and 2015, Bluegreen managed 46 and 45 resort properties and hotels, respectively. Resort operations and club management revenue increased primarily as a result of increases in the number of owners in the Vacation Club. In January 2015, Bluegreen sold the Atlantic Palace Resort management contract and recognized a \$0.3 million gain, which is included in other income for the year ended December 31, 2015. Additionally, Bluegreen generated revenues from its Traveler Plus program, and food and beverage and other retail operations. Bluegreen also earn commissions from providing rental services to third parties and fees from managing the construction activities of certain fee-based clients.

*Net Carrying Cost of VOI Inventory.* The carrying cost of Bluegreen's inventory was \$16.8 million and \$15.3 million during the years ended December 31, 2016 and 2015, respectively, which was partly offset by rental and sampler revenues of \$9.9 million and \$8.3 million, respectively. The increase during 2016 as compared to 2015 was primarily due to an increase in maintenance fees related to a newly constructed building at Bluegreen/Big Cedar Vacation's Paradise Point resort that began sales in November 2015, partially offset by an increase in rental revenues and an increased emphasis on Bluegreen's capital-light strategy.

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*Selling and Marketing Expenses.* Selling and marketing expenses were \$314.0 million and \$284.4 million during the years ended December 31, 2016 and 2015, respectively. As a percentage of system-wide sales of VOIs, net, selling and marketing expenses were 52% and 51% during the years ended December 31, 2016 and 2015, respectively. This increase was a result of the focus on increasing Bluegreen's marketing efforts to new prospects as opposed to existing owners, which resulted in higher costs per tour from new and expanding marketing channels. Sales to existing owners generally involve lower marketing expenses than sales to new prospects.

*General and Administrative Expenses.* General and administrative expenses were \$101.0 million and \$89.5 million during the years ended December 31, 2016 and 2015, respectively. As a percentage of system-wide sales of VOIs, net, general and administrative expenses were 17% and 16% during the years ended December 31, 2016 and 2015, respectively. The increase in 2016 was primarily due to special bonuses totaling \$10.0 million, which were paid to certain employees in June 2016, with no comparable 2015 bonuses.

## BBX Capital Real Estate Reportable Segment

### Segment Description

BBX Capital Real Estate's primary activities include the acquisition, development, ownership, and management of real estate and investments in real estate joint ventures. BBX Capital Real Estate also manages the legacy assets acquired by BCC in connection with the sale of its BankAtlantic subsidiary in July 2012. The legacy assets include portfolios of loans receivable, real estate properties, and loans previously charged-off by BankAtlantic.

### Current Trends and Developments

During 2017, BBX Capital Real Estate continued to focus on expanding its investments in real estate primarily through new investments in real estate joint ventures, including three new investments in unconsolidated joint ventures for an aggregate investment of \$7.7 million, and continued progress in our development of the Beacon Lake Community in St. Johns County, Florida. In addition, while revenues and recoveries from loan losses associated with various legacy assets have decreased as a result of an overall decline in the outstanding balance of legacy assets, BBX Capital Real Estate has generated income in connection with the completion of various development projects by its unconsolidated joint ventures, including the CC Homes Bonterra joint venture, which sold the remaining homes in a 394 single-family home development in the fourth quarter of 2017, and the Gardens on Millenia retail joint venture, which sold a portion of its newly-developed retail center in December 2017.

### Results of Operations

Information regarding the results of operations for BBX Capital Real Estate for the years ended December 31, 2017, 2016 and 2015 is set forth below (dollars in thousands):

	For the Years Ended			Change	Change
	December 31,			2017 vs	2016 vs
	2017	2016	2015	2016	2015
Total revenues	\$ 9,314	14,749	46,642	(5,435)	(31,893)
Recoveries from loan losses, net	(7,495)	(20,508)	(13,457)	13,013	(7,051)
Asset impairments, net	1,646	2,304	287	(658)	2,017
Selling, general and administrative expenses	11,113	11,864	12,773	(751)	(909)
Total costs and expenses	5,264	(6,340)	(397)	11,604	(5,943)
Equity in net earnings (losses) of unconsolidated joint ventures	14,483	13,630	(1,565)	853	15,195
Income before income taxes	\$ 18,533	34,719	45,474	(16,186)	(10,755)

BBX Capital Real Estate's income before income taxes for the year ended December 31, 2017 compared to 2016 decreased by \$16.2 million, or 46.6%, primarily due to the following:

- A decrease in revenues, including net gains on sales of assets and interest income, primarily due to lower gains on sales of commercial land parcels and deferred gains associated with properties contributed to unconsolidated joint ventures and the overall decline in the loan portfolio balance as a result of loan sales and the continued payoff of nonaccrual loans; and
- A decrease in recoveries from loan losses as loans in the legacy asset portfolio are collected and the overall balance of the loan portfolio declines; partially offset by
- A decrease in asset impairments on commercial land parcels and residential loans;
- A decrease in selling, general and administrative expenses primarily due to lower legal fees incurred in connection with loan portfolio recoveries and foreclosures and real estate and joint venture transactions; and
- A net increase in equity in earnings of unconsolidated joint ventures primarily due to a \$2.6 million increase in equity in earnings from the CC Homes Bonterra joint venture due to the sale of the remaining homes in the development in 2017 and \$3.4 million in equity in earnings from the Gardens on Millenia retail development joint venture due to the sale of a portion of the retail development in 2017, partially offset by a \$3.1 million decrease in equity in earnings from the Altis at Kendall Square joint venture due to the sale of the project in

2016 and a \$850,000 decrease in earnings from the Altis at Bonterra joint venture due to the commencement of depreciation expenses associated with the project in 2017 and an increase in ongoing marketing and operating costs while the project is being stabilized.

BBX Capital Real Estate's income before income taxes for the year ended December 31, 2016 compared to 2015 decreased by \$10.8 million, or 23.7%, primarily due to the following:

- A decrease in revenues primarily due to lower gains on sales of land parcels, including the impact of the sale of four parcels in 2015 that generated net gains of \$31.4 million for the year ended December 31, 2015, and lower interest income primarily resulting from the payoff of two nonaccrual commercial loans in 2015 that generated \$5.8 million of interest income for the year ended December 31, 2015; and
- An increase in asset impairments on commercial land parcels and residential loans; partially offset by
- An increase in recoveries from loan losses due to various significant recoveries on loans in the legacy asset portfolio in 2016;
- A decrease in selling, general and administrative expenses primarily due to lower operating expenses, including real estate taxes and insurance, associated with real estate acquired through foreclosure as a result of the sale of properties and the contribution of real estate to joint ventures, partially offset by an increase in legal fees incurred in connection with loan portfolio recoveries and foreclosures; and
- A net increase in equity in earnings of unconsolidated joint ventures primarily due to a \$10.3 million increase in equity earnings from the CC Homes Bonterra joint venture due to the sale of 212 single-family homes in the 394 single-family home development in 2016, a \$3.6 million increase in equity earnings from the Altis at Kendall Square joint venture due to the sale of the project in 2016, and a \$1.2 million increase in equity earnings from the Village at Victoria Park joint venture due to the sale of 9 single-family homes in the 30 single-family home development in 2016.

## Renin Reportable Segment

### Segment Description

Renin is engaged in the design, manufacture, and distribution of specialty doors, systems and hardware, and home décor products in the United States and Canada and operates through its headquarters in Canada and two manufacturing and distribution facilities in the United States and Canada.

### Current Trends and Developments

Following its achievement of profitability in 2016, Renin has continued to improve its operating performance through an increase in sales, gross margin, and income before income taxes for the year ended December 31, 2017 as compared to 2016. While this performance was primarily driven by increased sales of its barn door product and product development, Renin has also continued to increase operating efficiencies through the integration of its manufacturing facilities. In addition, Renin successfully obtained a new credit facility which lowers its borrowing costs and contains less restrictive financial covenants than its prior facility.

### Results of Operations

Information regarding the results of operations for Renin for the years ended December 31, 2017, 2016 and 2015 are set forth below (dollars in thousands):

	For the Years Ended			Change	Change
	December 31,			2017 vs	2016 vs
	2017	2016	2015	2016	2015
Trade sales	\$ 69,648	65,225	56,461	4,423	8,764
Cost of goods sold	(49,358)	(47,088)	(42,123)	(2,270)	(4,965)
Gross margin	20,290	18,137	14,338	2,153	3,799
Interest expense	509	313	309	196	4
Selling, general and administrative expenses	17,408	17,186	15,049	222	2,137
Foreign exchange loss (gain)	193	(219)	1,038	412	(1,257)
Total costs and expenses	18,110	17,280	16,396	830	884
Income (loss) before income taxes	\$ 2,180	857	(2,058)	1,323	2,915
Gross margin percentage	% 29.13	27.81	25.39	1.33	2.41
SG&A as a percent of trade sales	% 24.99	26.35	26.65	(1.35)	(0.31)

Renin's income before income taxes for the year ended December 31, 2017 compared to 2016 increased by \$1.3 million, or 154%, primarily due to the following:

- An increase in trade sales reflecting higher sales volume from Renin's retail channel customers, including higher sales of Renin's barn door product, as well as growth in e-commerce sales; and
- Continued improvement in gross margins resulting primarily from an increasing proportion of sales of higher margin door and hardware products; partially offset by
- An increase in total costs and expenses resulting primarily from foreign currency exchange losses, an increase in selling, general and administration expenses primarily associated with the hiring of marketing personnel and legal expenses, and an increase in interest expense associated with a higher outstanding balance on Renin's credit facilities as a result of higher working capital requirements associated with increased sales volume.

Renin's income before income taxes for the year ended December 31, 2016 compared to 2015 increased by \$2.9 million primarily due to the following:

- An increase in trade sales associated with increased sales volume from Renin's retail channel customers; and



- An improvement in gross margins resulting primarily from an increasing proportion of sales of higher margin door and hardware products; partially offset by
- A net increase in total costs and expenses resulting primarily from selling, general and administration expenses associated with the transition to a new executive management team, which resulted in increased compensation and benefits associated with new hires and incentive bonuses, higher distribution costs from increased sales volume, higher depreciation expense in connection with technology expenditures, and increased marketing expenses from product promotions, partially offset by foreign current exchange gains in 2016.

## **BBX Sweet Holdings Reportable Segment**

### ***Segment Description***

BBX Sweet Holdings is engaged in the acquisition and management of operating businesses in the confectionery industry, including manufacturers, wholesalers, and retailers of chocolate, hard candy, and confectionery products.

### ***Current Trends and Developments***

In June 2017, BBX Sweet Holdings acquired IT'SUGAR through the purchase of all of its Class A Preferred Units and 90.4% of its Class B Common Units for cash consideration of approximately \$58.4 million, net of cash acquired. The remaining 9.6% of IT'SUGAR's Class B Common Units are owned by JR Sugar Holdings, LLC ("JR Sugar"), an entity owned by the founder and CEO of IT'SUGAR. IT'SUGAR is a specialty candy retailer with 95 retail locations in 26 states and Washington, DC, and its products include bulk candy, giant candy packaging, and novelty items that are purchased and sold at its retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations across the United States. IT'SUGAR's retail locations generally utilize a store model that requires a relatively low initial investment, with a goal of shorter payback periods and increased investment returns and cash flows. In addition, while a portion of IT'SUGAR's locations are in lifestyle and mall/outlet locations where traffic may be impacted by the increase in online retail sales, we believe IT'SUGAR's business is generally less directly impacted by online sales due to the nature of IT'SUGAR's products and its emphasis on creating an entertainment experience for customers in high-traffic locations.

As a result of BBX Sweet Holdings' plans to further expand IT'SUGAR by opening new retail locations, including six to seven locations during 2018, IT'SUGAR is not expected to generate net income in 2018 due to the expected costs of opening new stores and related ongoing depreciation expenses. However, the acquisition of IT'SUGAR is expected to be cash flow accretive to the Company and has significantly expanded BBX Sweet Holdings' retail footprint in the confectionery industry.

Although the operating results of IT'SUGAR are not reflected in the Company's consolidated financial statements prior to its acquisition on June 16, 2017, IT'SUGAR generated sales growth during the year ended December 31, 2017, with an approximately 2% increase in overall sales as compared to 2016 as a result of new store openings and an increase in sales at its existing stores. The increase in sales in its existing stores was largely driven by an increase in average dollars per transaction and increased conversion in spite of an overall decrease in traffic count as compared to 2016.

BBX Sweet Holdings' other operations have continued to generate operating losses and the Company is continuing the process of integrating and consolidating the manufacturing facilities and operations of various acquired businesses and eliminating certain unprofitable brands, including the exploration of strategic alternatives for its manufacturing facility in Utah. As a result of these initiatives and declining profits in its Orlando manufacturing operations, BBX Sweet Holdings recorded non-cash goodwill, intangible assets and property and equipment impairments aggregating \$5.2 million during the fourth quarter of 2017. Subsequent to December 31, 2017, the Company commenced the process of exiting its manufacturing facility in Utah, and it is anticipated that BBX Sweet Holdings will incur various costs in connection with this initiative, including severance costs for certain employees. In addition, BBX Sweet Holdings remains obligated under its lease agreement for the manufacturing facility, which has estimated future minimum rental payments of \$2.5 million, and expects that it will be required to recognize a lease liability when it ceases operations in the facility or will otherwise incur costs to terminate the lease agreement. The Company is also continuing to evaluate the operations of BBX Sweet Holdings' wholesale business, including the potential divestiture of certain operations or acquired businesses. To the extent that the Company decides to divest of or otherwise exit certain of these operations, BBX Sweet Holdings may recognize additional impairment charges and incur additional costs in the first quarter of 2018 or in future periods. As of December 31, 2017, the net book value of the operations under evaluation was \$9.3 million, and the total estimated future minimum rental payments for operating leases (excluding the \$2.5 million above) was \$1.1 million.



## Results of Operations

Information regarding the results of operations for BBX Sweet Holdings for the years ended December 31, 2017, 2016 and 2015 are set forth below (dollars in thousands):

	For the Years Ended December 31,			Change	Change
	2017	2016	2015	2017 vs 2016	2016 vs 2015
Trade sales	\$ 72,905	30,771	27,823	42,134	2,948
Interest income	38	10	-	28	10
Other revenue	74	8	14	66	(6)
Total revenues	<u>73,017</u>	<u>30,789</u>	<u>27,837</u>	<u>42,228</u>	<u>2,952</u>
Cost of trade sales	48,306	27,253	20,584	21,053	6,669
Interest expense	335	409	950	(74)	(541)
Assets impairments, net	5,785	2,352	-	3,433	2,352
Selling, general and administrative expenses	<u>35,374</u>	<u>15,720</u>	<u>15,071</u>	<u>19,654</u>	<u>649</u>
Total costs and expenses	<u>89,800</u>	<u>45,734</u>	<u>36,605</u>	<u>44,066</u>	<u>9,129</u>
Loss before income taxes	\$ <u>(16,783)</u>	<u>(14,945)</u>	<u>(8,768)</u>	<u>(1,838)</u>	<u>(6,177)</u>
Gross margin percentage	% <u>33.74</u>	<u>11.43</u>	<u>26.02</u>	<u>50.03</u>	<u>(126.22)</u>
SG&A as a percent of trade sales	% <u>48.52</u>	<u>51.09</u>	<u>54.17</u>	<u>46.65</u>	<u>22.01</u>

As a result of the acquisition of IT'SUGAR, BBX Sweet Holdings' results of operations for the year ended December 31, 2017 include the results of IT'SUGAR's operations from June 16, 2017 to December 31, 2017, which are included in the table below (dollars in thousands):

	June 16, 2017 to December 31, 2017
Trade sales	\$ 46,772
Other revenue	59
Total revenues	<u>46,831</u>
Cost of trade sales	24,528
Selling, general and administrative expenses	<u>19,705</u>
Total costs and expenses	<u>44,233</u>
Income before income taxes	\$ <u>2,598</u>
Gross margin percentage	% <u>47.56</u>
SG&A as a percent of trade sales	% <u>42.13</u>

BBX Sweet Holdings' loss before income taxes for the year ended December 31, 2017 compared to the same 2016 period increased by \$1.9 million, or 12%, primarily due to the following:

- An increase in impairments resulting from a decline in the fair value of certain of BBX Sweet Holdings' operating businesses and the implementation of various strategic initiatives, including the consolidation of manufacturing facilities and elimination of unprofitable brands; partially offset by
- Income before taxes from IT'SUGAR's operations.

The profitability of IT'SUGAR from June 16, 2017 through December 31, 2017 reflects the seasonal nature of IT'SUGAR's trade sales and the timing of costs to open new stores, and it is anticipated that IT'SUGAR will not generate net income in the short term due to the expected costs of the new store expansion.

BBX Sweet Holdings' loss before income taxes for the year ended December 31, 2016 compared to the same 2015 period increased by \$6.2 million primarily due to the following:

- A decrease in gross margin primarily resulting from inventory markdowns associated with excess and obsolete inventory and excess manufacturing capacity associated with an operating business acquired in 2015;
- Asset impairments recognized during the year ended December 31, 2016 in connection with a decrease in the fair value of one of the operating businesses of BBX Sweet Holdings and the relocation of certain manufacturing and operating facilities from California to Utah; and
- An increase in selling, general and administrative expenses related to costs associated with the above described consolidation of manufacturing and operating facilities and higher marketing, advertising, and compensation associated with the expansion of Hoffman's Chocolates retail stores.

We anticipate that BBX Sweet Holdings will continue to generate losses during the year ended December 31, 2018. Additionally, if BBX Sweet Holdings' operations do not meet expectations or if there is a downturn in the confectionery industry, BBX Sweet Holdings may recognize additional goodwill and other intangible assets impairment charges in future periods.

### **Corporate Expenses & Other**

Corporate Expenses & Other in the Company's segment information consists of the following:

- BBX Capital's corporate selling, general and administrative expenses;
- Woodbridge's interest expense associated with its junior subordinated debentures;
- BBX Capital's interest expense associated with its \$80.0 million note payable to Bluegreen; and
- The Company's activities related to its MOD franchise operations.

In addition, Corporate Expenses & Other for the year ended December 31, 2017 included \$6.9 million of net gains on the cancellation of Woodbridge's junior subordinated debentures, \$8.6 million of insurance carrier reimbursements from litigation costs, and the reimbursement of a \$4.6 million fine previously paid in connection with the SEC civil litigation against BCC, while Corporate Expenses & Other for year ended December 31, 2015 included \$36.5 million in litigation costs incurred in connection with the settlement of litigation brought by Bluegreen's former shareholders related to the April 2013 acquisition of Bluegreen.

#### ***Corporate Selling, General, and Administrative Expenses***

BBX Capital's corporate selling, general and administrative expenses consist primarily of expenses associated with administering the various support functions at its corporate headquarters, including executive compensation, accounting, legal, human resources, risk management, investor relations and executive offices. BBX Capital's corporate selling, general, and administrative expenses were \$57.8 million, \$57.9 million, and \$51.1 million for the years ended December 31, 2017, 2016, and 2015, respectively.

BBX Capital's corporate selling, general, and administrative expenses for the year ended December 31, 2017 compared to the same 2016 period remained flat, which primarily reflects the impact of the following:

- \$3.0 million of consulting and diligence-related costs incurred in 2017 in connection with the acquisition of IT'SUGAR; and
- \$2.3 million of increased costs incurred in 2017 associated with the Company's MOD franchise operations; partially offset by
- \$3.8 million of lower costs associated with executive compensation.

BBX Capital's corporate selling, general, and administrative expenses for the year ended December 31, 2016 compared to the same 2015 period increased by \$6.8 million primarily resulting from higher compensation expense and increased professional fees.

#### ***Interest Expense***

Woodbridge's interest expense on its junior subordinated debentures was \$3.4 million, \$4.0 million, and \$3.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

BBX Capital's interest expense on the \$80 million note payable to Bluegreen was \$6.4 million, \$8.0 million and \$5.6 million for the years ended December 31, 2017, 2016 and 2015, respectively, and is eliminated in the Company's consolidated statements of operations. Effective July 1, 2017, the interest rate on the note payable was reduced from 10% per annum to 6% per annum.

### ***MOD Franchise Operations***

In 2016, the Company entered into area development agreements with MOD with a goal of developing approximately 60 MOD franchised pizza restaurant locations throughout Florida over six years. In 2017, the Company hired personnel to establish its initial restaurant operations and opened two restaurant locations during the fourth quarter of 2017. In addition, the Company continued to establish its pipeline of restaurant locations and anticipates opening eight to twelve locations during the year ended December 31, 2018.

During the year ended December 31, 2017, the Company's MOD franchise operations generated a net loss before taxes of \$2.5 million, which was primarily attributable to \$2.6 million in selling, general, and administrative expenses, partially offset by sales generated from the two restaurant locations that were opened during the fourth quarter of 2017. The selling, general, and administrative expenses for the year ended December 31, 2017 included compensation costs associated with operations, human resource, marketing, and finance personnel that were hired to establish initial restaurant operations, as well as costs associated with store openings and the review of potential restaurant sites. On average, the Company incurred approximately \$725,000 in capital expenditures, net of anticipated tenant improvement allowances, and \$150,000 in store opening costs for each of the two restaurant locations that were opened in the fourth quarter of 2017.

The Company expects to continue to incur net losses and capital expenditures due to the expected costs of opening new locations in 2018 and future years.

### **Benefit (Provision) for Income Taxes**

The benefit for income taxes for the year ended December 31, 2017 resulted from the enactment of the Tax Cuts and Jobs Act on December 22, 2017, which reduced the federal corporate tax rate from 35% to 21% commencing on January 1, 2018 and resulted in a \$43.1 million reduction in the Company's deferred tax liability. The Company is currently evaluating the impact the Tax Cuts and Jobs Act will have on our consolidated financial statements in future periods.

The Company's effective tax rate excluding the rate change benefit was 38.4% for the year ended December 31, 2017. The Company's effective tax rate was higher than the expected federal income tax rate of 35% due to state income taxes and nondeductible executive compensation and was lower than the effective tax rate for the year ended December 31, 2016 as a result of an increase in the deferred tax asset valuation allowance during 2016 based on an updated evaluation of the future deductibility of net operating loss carryforwards.

The provision for income taxes for the year ended December 31, 2016 reflected the Company's effective tax rate of 46.6% on income before income taxes. The effective tax rate was higher than the expected federal income tax rate of 35% due to state income taxes, nondeductible executive compensation, and increases in deferred tax asset valuation allowance.

The benefit for income taxes for the year ended December 31, 2015 resulted from the release of a portion of BBX Capital's deferred tax asset valuation allowance on May 1, 2015 as BBX Capital became eligible to file a consolidated group federal income tax return with BCC and Bluegreen as described in further detail in Item 8 – Note 14 of this report.

### **Net Income Attributable to Noncontrolling Interests**

BBX Capital includes in its consolidated financial statements the results of operations and financial position of various partially-owned subsidiaries in which it holds a controlling financial interest, including Bluegreen, Bluegreen/Big Cedar Vacations, and IT'SUGAR. As a result, the Company is required to attribute net income to the noncontrolling interests in these subsidiaries.

Net income attributable to noncontrolling interests was \$18.4 million, \$13.3 million, and \$18.8 million during the years ended December 31, 2017, 2016 and 2015, respectively. The increase in net income attributable to noncontrolling interests for the year ended December 31, 2017 compared to the same 2016 period was primarily due to Bluegreen's IPO, which resulted in a decrease of BBX Capital's ownership in Bluegreen from 100% to 90%, and an increase in net



income for Bluegreen/Big Cedar Vacations, partially offset by the impact of BBX Capital's acquisition of the outstanding noncontrolling interests in BCC on December 15, 2016.

The decrease in net income attributable to noncontrolling interests for the year ended December 31, 2016 compared to the same 2015 period was primarily due to a decrease in net income associated with Bluegreen/Big Cedar Vacations and the recognition of a gain on sale of assets by the JRG/BBX Development joint venture, a consolidated real estate joint venture, during the year ended December 31, 2015.

## **Consolidated Financial Condition**

### ***Consolidated Assets and Liabilities***

Total assets at December 31, 2017 and 2016 were \$1.6 billion and \$1.4 billion, respectively. The primary changes in the components of total assets are summarized below:

- Increase in cash was primarily from \$65.6 million of cash generated from operating activities and \$95.9 million of cash received in the Bluegreen IPO partially offset by \$58.4 million of cash paid to acquire IT'SUGAR, \$27.6 million of cash paid to repurchase common stock, and \$11.4 million of cash distributions to noncontrolling interests;
- Increase in VOI inventory was primarily from increased spending by Bluegreen on the acquisition of JIT and secondary market inventory purchases and development expenditures associated with expanding the capacity of existing resorts;
- Increase in trade inventory was primarily attributable to the acquisition of IT'SUGAR;
- Increase in real estate was primarily related to \$11.5 million of construction costs associated with real estate inventory and the transfer of a \$6.2 million student housing facility from property and equipment to real estate held for sale, partially offset by \$11.5 million of real estate sales and impairment losses of \$1.7 million;
- Increase in investment in unconsolidated real estate joint ventures reflects \$14.5 million of equity in earnings and \$8.7 million of additional investments, partially offset by \$19.3 million of distributions received;
- Increase in property and equipment reflects \$18.7 million of property and equipment acquired in connection with the IT'SUGAR acquisition and \$22.0 million of property and equipment purchases, primarily at Bluegreen, partially offset by \$6.2 million of property transferred to real estate held for sale and depreciation of \$15.8 million;
- Increase in goodwill reflects \$35.2 million of goodwill recognized in the IT'SUGAR acquisition, partially offset by a \$2.4 million impairment loss associated with a reporting unit of BBX Sweet Holdings;
- Increase in intangible assets reflects \$4.5 million of intangible assets recognized in the IT'SUGAR acquisition, partially offset by impairment losses and intangible asset amortization; and
- Increase in other assets resulting primarily from higher prepaid expenses and receivables from commissions associated with the fee-based services provided by Bluegreen.

Total liabilities at December 31, 2017 and 2016 were \$950.4 million and \$940.6 million, respectively. The primary changes in components of total liabilities are summarized below:

- Increase in receivable-backed notes payable – non-recourse was primarily a result of Bluegreen's completion of a private offering and sale of approximately \$120.2 million of investment-grade, VOI receivable-backed notes (the "2017 Term Securitization"). This increase was partially offset by repayments of notes payable with proceeds from the 2017 Term Securitization and payments received from the obligors of notes receivables;
- Decrease in receivable-backed notes payable – recourse was due to Bluegreen's repayment of notes payable with a portion of the proceeds it received in connection with its 2017 Term Securitization;
- Increase in notes payable and other borrowings reflects \$3.8 million of BBX Sweet Holdings line of credit borrowings, the issuance of a \$3.4 million promissory note in connection with an investment in an unconsolidated real estate joint venture, and \$3.2 million of additional borrowings by Renin to fund increases in working capital;
- Decrease in deferred income tax liability was primarily a result of a decrease in the federal corporate income tax rate partially offset by a reduction in deferred tax assets associated with the utilization of NOL carryforwards;
- Decrease in junior subordinated debentures was due to the redemption and cancellation of \$18.75 million of junior subordinated debentures; and
- Increase in other liabilities resulting primarily as a result of accrued severance expenses.





## Consolidated Cash Flows

A summary of our consolidated cash flows is set forth below (in thousands):

	For the Years Ended		
	December 31,		
	2017	2016	2015
Cash flows provided by (used in) operating activities	\$ 65,599	81,163	(1,651)
Cash flows (used in) provided by investing activities	(54,765)	49,198	49,962
Cash flows provided by (used in) financing activities	52,096	(42,314)	(124,098)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 62,930	88,047	(75,787)
Cash, cash equivalents and restricted cash at beginning of period	346,317	258,270	334,057
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 409,247</b>	<b>346,317</b>	<b>258,270</b>

### *Cash Flows provided by/used in Operating Activities*

The Company's operating cash flows decreased \$15.6 million during the year ended December 31, 2017 compared to the same period in 2016. The decrease was primarily due to increased spending by Bluegreen on the acquisition and development of VOI inventory. During the year ended December 31, 2017, Bluegreen paid \$30.8 million for development expenditures, primarily related to Bluegreen/Big Cedar Vacations, as compared to \$17.4 million of development expenditures in 2016 and a \$6.1 million payment in 2016 for the purchase of a parcel of land adjacent to our Club 36 Resort in Las Vegas for the future development of VOI inventory. Additionally, Bluegreen paid \$29.8 million for JIT and secondary market inventory purchases in the 2017 period, as compared to \$17.7 million for such purchases in 2016.

The Company's operating cash flows increased \$82.8 million during the year ended December 31, 2016 compared to the same period in 2015. The increase was primarily due to positive changes in components of working capital mainly associated with Bluegreen's operations and a \$13.3 million increase in cash distributions from unconsolidated real estate joint ventures. Bluegreen's operating cash flows increased due to growth in VOI sales and decreased VOI inventory development expenditures.

### *Cash Flows provided by/used in Investing Activities*

The Company's investing cash flows decreased by \$104.0 million during the year ended December 31, 2017 compared to the same period in 2016. The decrease reflects the \$58.4 million of cash paid for the acquisition of IT'SUGAR in June 2017, increased purchases of property and equipment, and lower repayments of loans receivable.

The Company's investing cash flows decreased by \$0.8 million during the year ended December 31, 2016 compared to the same period in 2015. The decrease reflects lower proceeds from sales of real estate partly offset by higher cash collections on loans receivable and lower additions to real estate.

### *Cash Flows provided by/used in Financing Activities*

The Company's cash provided by financing activities increased by \$94.4 million during the year ended December 31, 2017 compared to the same period in 2016. The increase was primarily the result of \$95.9 million in net proceeds received from Bluegreen's IPO and cash consideration of \$16.9 million paid during the year ended December 31, 2016 for all the outstanding shares of BCC not previously owned by the Company (the "BCC Merger") partially offset by an increase in the cash paid to repurchase and retire common stock during the year ended December 31, 2017.

The Company's cash used for financing activities decreased by \$81.8 million during the year ended December 31, 2016 compared to the same period in 2015. The decrease in cash used in financing activities was primarily due to the April 2015 tender offer in which the Company paid cash consideration of \$95.4 million to BCC's shareholders in connection with the purchase of shares of BCC's Class A Common Stock partially offset by the \$16.9 million of cash consideration paid in the BCC Merger.

## Commitments

The Company's material commitments as of December 31, 2017 included the required payments due on its receivable-backed debt, lines-of-credit and other notes payable, junior subordinated debentures, commitments to complete certain projects based on its sales contracts with customers, subsidy advances to certain HOAs, inventory purchase commitments under JIT arrangements and commitments under non-cancelable operating leases.

The following table summarizes the contractual minimum principal and interest payments, net of unamortized discount, required on all of the Company's outstanding debt, non-cancelable operating leases and inventory purchase commitments by period due date, as of December 31, 2017 (in thousands):

	Payments Due by Period					Unamortized Debt	Total
	Less than 1 year	1 — 3 Years	4 — 5 Years	After 5 Years	Issuance Costs		
<b>Contractual Obligations</b>							
Receivable-backed notes payable	\$ -	24,989	49,425	352,852	(6,148)	421,118	
Lines-of-credit and notes payable	36,796	37,704	50,365	21,829	(2,580)	144,114	
Jr. subordinated debentures	-	-	-	177,129	(41,715)	135,414	
Inventory purchase commitment	5,749	-	-	-	-	5,749	
Noncancelable operating leases	26,736	46,088	39,329	47,177	-	159,330	
Total contractual obligations	<u>69,281</u>	<u>108,781</u>	<u>139,119</u>	<u>598,987</u>	<u>(50,443)</u>	<u>865,725</u>	
<b>Interest Obligations <sup>(1)</sup></b>							
Receivable-backed notes payable	15,334	30,544	26,198	89,397	-	161,473	
Lines-of-credit and notes payable	6,754	8,429	3,815	12,678	-	31,676	
Jr. subordinated debentures	10,480	20,958	20,958	138,794	-	191,190	
Total contractual interest	<u>32,568</u>	<u>59,931</u>	<u>50,971</u>	<u>240,869</u>	<u>-</u>	<u>384,339</u>	
Total contractual obligations	\$ <u>101,849</u>	<u>168,712</u>	<u>190,090</u>	<u>839,856</u>	<u>(50,443)</u>	<u>1,250,064</u>	

(1) Assumes that the scheduled minimum principal payments are made in accordance with the table above and the interest rate on variable rate debt remains the same as the rate at December 31, 2017.

In lieu of paying maintenance fees for unsold VOI inventory, Bluegreen provides subsidies to certain homeowners' associations to provide for funds necessary to operate and maintain vacation ownership properties in excess of assessments collected from owners of the VOIs. During the years ended December 31, 2017, 2016 and 2015, Bluegreen made subsidy payments, included within cost of other fee-based services, of \$12.6 million, \$13.9 million and \$15.8 million, respectively. As of December 31, 2017 and 2016, Bluegreen had no accrued liability for such subsidies.

In September 2017, Bluegreen entered into an agreement with an executive in connection with his retirement. Pursuant to the terms of the agreement, Bluegreen agreed to make payments totaling approximately \$2.9 million through March 2019 (all of which was accrued as of December 31, 2017). Also, during the second half of 2017, Bluegreen implemented an initiative designed to streamline its operations in certain areas to facilitate future growth. Such initiative resulted in \$5.8 million of severance for the year ended December 31, 2017, \$1.9 million which will be paid in 2018. The Bluegreen 2017 Corporate Realignment Initiative resulted in an estimated reduction in their annual salaries and benefits expenses of \$19.5 million. Bluegreen expects to apply a portion of these savings toward additional associates and expenditures for growth-driving initiatives this year, particularly various digital projects including website enhancement, online vacation package booking, virtual reality kiosks, and improvements to their customer relationship management.

During 2016, the Company entered into a severance arrangement with an executive. Under the terms of the arrangement, the executive will receive \$3.7 million over a three year period ending in August 2019. As of December 31, 2017, \$1.9 million was left to be paid under this agreement.



A wholly-owned subsidiary of BBX Capital has entered into area development agreements with MOD Super Fast Pizza Franchising, LLC which will involve entering into lease agreements for MOD restaurant locations. BBX Capital may be required to guarantee performance on these lease agreements.

The Company believes that its existing cash, anticipated cash generated from operations, anticipated future permitted borrowings under existing or future credit facilities, and anticipated future sales of Bluegreen's notes receivable under existing, future or replacement purchase facilities will be sufficient to meet the Company's anticipated working capital, capital expenditure and debt service requirements, including the contractual payment of the obligations set forth above, for the foreseeable future, subject to the success of the Company's ongoing business strategy and the ongoing availability of credit. The Company will continue its efforts to renew, extend, or replace any credit and receivables purchase facilities that have expired or that will expire in the near term. The Company may, in the future, also obtain additional credit facilities and may issue corporate debt or equity securities. Any debt incurred or issued by the Company may be secured or unsecured, bear interest at fixed or variable rates and may be subject to such terms as the lender may require. In addition, the Company's efforts to renew or replace credit facilities or receivables purchase facilities which have expired or which are scheduled to expire in the near term may not be successful, and sufficient funds may not be available from operations or under existing, proposed or future revolving credit or other borrowing arrangements or receivables purchase facilities to meet its cash needs, including debt service obligations. To the extent the Company is not able to sell notes receivable or borrow under such facilities, its ability to satisfy its obligations would be materially adversely affected.

Bluegreen's receivables purchase facilities and its credit facilities, indentures and other outstanding debt instruments include what Bluegreen believes to be customary conditions to funding, eligibility requirements for collateral, cross-default and other acceleration provisions and certain financial and other affirmative and negative covenants, including, among others, limits on the incurrence of indebtedness, payment of dividends, investments in joint ventures and other restricted payments, the incurrence of liens, and transactions with affiliates, as well as covenants concerning net worth, fixed charge coverage requirements, debt-to-equity ratios, portfolio performance requirements and cash balances, and events of default or termination. In the future, Bluegreen may be required to seek waivers of such covenants, but may not be successful in obtaining waivers, and such covenants may limit Bluegreen's ability to raise funds, sell receivables, or satisfy or refinance its obligations, or otherwise adversely affect Bluegreen's ability to pay dividends and the Company's financial condition and results of operations. In addition, Bluegreen's future operating performance and ability to meet its financial obligations will be subject to future economic conditions and to financial, business and other factors, many of which may be beyond the Company's control.

Bluegreen has an exclusive marketing agreement with Bass Pro, a nationally-recognized retailer of fishing, marine, hunting, camping and sports gear, that provides Bluegreen with the right to market and sell vacation packages at kiosks in each of Bass Pro's retail locations and through other means. As of December 31, 2017, Bluegreen sold vacation packages in 68 of Bass Pro's stores. In exchange, Bluegreen compensates Bass Pro based on VOI sales generated through the program. No compensation is paid to Bass Pro under the agreement on sales made at Bluegreen/Big Cedar Vacations' resorts. During the years ended December 31, 2017, 2016 and 2015, VOI sales to prospects and leads generated by the agreement with Bass Pro accounted for approximately 15%, 16% and 20%, respectively, of Bluegreen's VOI sales volume. On October 9, 2017, Bass Pro advised Bluegreen that it believes the amounts paid to it as VOI sales commissions should not have been adjusted for certain purchaser defaults. Bluegreen previously informed Bass Pro that the aggregate amount of such adjustments for defaults charged back to Bass Pro between January 2008 and June 2017 totaled approximately \$4.8 million. Bluegreen believes these chargebacks were appropriate and consistent with the terms and intent of the agreements with Bass Pro, and Bluegreen is continuing to discuss the matter with Bass Pro. On October 20, 2017, in order to demonstrate good faith, Bluegreen paid this amount to Bass Pro pending a resolution of the matter in the ordinary course. Bluegreen recognized the \$4.8 million payment as general and administrative expense during the fourth quarter of 2017. In addition, the resolution of the matter may adversely impact Bluegreen's future marketing expenses.

#### ***Off-balance-sheet Arrangements***

BBX Capital guarantees certain obligations of its wholly-owned subsidiaries and unconsolidated real estate joint ventures, which are not included in the contractual obligations table above, and also guarantees certain of the obligations in the above table as described in further detail in Item 8 – Note 15 of this Annual Report.

## Liquidity and Capital Resources

### *BBX Capital*

As of December 31, 2017 and 2016, the Company, excluding Bluegreen, had cash, cash equivalents and short-term investments of approximately \$165.2 million and \$155.7 million, respectively. Management believes that BBX Capital has sufficient liquidity to fund operations for the foreseeable future.

BBX Capital's principal sources of liquidity are its available cash and short-term investments, distributions received from Bluegreen, distributions from unconsolidated real estate joint ventures, funds obtained from loan recoveries and payoffs, sales of real estate, and income from income producing real estate. BBX Capital expects to use its available funds for general corporate purposes, to make additional investments in real estate based opportunities, middle market operating businesses, or other opportunities, or to repurchase shares of its common stock pursuant to the share repurchase program.

In June 2017, the Company acquired IT'SUGAR, a specialty candy retailer with 95 retail locations in 26 states and Washington, DC, for a purchase price of \$58.4 million, net of cash acquired and plans to further expand IT'SUGAR by opening new retail locations, including six to seven locations during 2018. In addition, the Company anticipates opening up to 60 MOD franchised pizza restaurant locations throughout Florida over the next six years, including eight to twelve locations during 2018. During 2018, the Company expects to incur \$5.4 million to \$8.0 million of capital expenditures, net of tenant allowance reimbursements, to open new MOD franchised pizza restaurant locations and \$7 million to \$10 million of capital expenditures, net of tenant allowance reimbursements, to open additional IT'SUGAR store locations, and to renovate existing stores.

BBX Capital believes that its current financial condition and credit relationships, together with anticipated cash flows from other sources of funds, including potential dividends from Bluegreen (which, as described below, are subject to certain limitations), and, to the extent determined to be advisable, proceeds from the disposition of properties or investments, will allow it to meet its anticipated near-term liquidity needs. BBX Capital may also seek additional liquidity from outside sources, including traditional bank financing, secured or unsecured indebtedness, or the issuance of equity and/or debt securities. However, these alternatives may not be available to us on attractive terms, or at all. The inability to raise funds through the sources discussed above would have a material adverse effect on the Company's business, results of operations and financial condition.

BBX Capital expects that it will receive dividends from time to time from Bluegreen. During 2017, 2016 and 2015, Bluegreen paid dividends totaling \$40.0 million, \$70.0 million and \$54.4 million, respectively. In November 2017, Bluegreen completed an IPO, and as a consequence, subsequent dividend decisions will be at the discretion of Bluegreen's board of directors, and will be based upon such factors as the Bluegreen board deems to be appropriate, including, Bluegreen's operating results, financial condition, cash position, and operating and capital needs. Dividends from Bluegreen are also dependent on restrictions contained in Bluegreen's debt facilities. Except as otherwise noted, the debts and obligations of Bluegreen are not direct obligations of the Company and generally are non-recourse to the Company. Similarly, the assets of Bluegreen are not available to BBX Capital, absent a dividend or distribution. Furthermore, certain of Bluegreen's credit facilities contain terms which could limit the payment of cash dividends without the lender's consent or waiver and Bluegreen may only pay dividends subject to such restrictions as well as the declaration of dividends by its board of directors. As a consequence, BBX Capital may not receive dividends from Bluegreen consistent with prior periods, in the time frames or amounts anticipated, or at all.

BBX Capital may also receive funds from Bluegreen in connection with its tax sharing agreement to the extent Bluegreen utilizes BBX Capital's tax benefits in BBX Capital's consolidated tax return. During the years ended December 31, 2017 and 2016, BBX Capital received \$39.4 million and \$26.2 million, respectively, of tax sharing payments from Bluegreen.

In March 2017, June 2017, September 2017 and December 2017, the Company's Board of Directors declared quarterly cash dividends on the Company's Class A and Class B Common Stock of \$0.0075 per share. In June 2016, September 2016 and December 2016, the Company's Board of Directors declared a quarterly cash dividend on the Company's Class A and Class B Common Stock at \$0.005 per share. Prior to June 2016, no cash dividends were paid on the Company's common stock. On March 6, 2018, the Company's board of directors declared a quarterly cash dividend on the Company's Class A and Class B Common Stock of \$0.01 per share payable on April 20, 2018 to shareholders of record as of March 26, 2018. Future declaration and payment of cash dividends with respect to the Company's common stock, if any, will be determined in light of the then-current financial condition of the Company and other factors deemed relevant by the board of directors.

In April 2015, BBX Capital borrowed \$80.0 million from a wholly-owned subsidiary of Bluegreen to finance in part the purchase of 4,771,221 shares of BCC's Class A Common Stock. Payments of interest are required on a quarterly basis,



with the entire \$80.0 million principal balance and accrued interest being due and payable in April 2020. This debt currently accrues interest at a per annum rate of 6% with quarterly interest payments to Bluegreen of \$1.2 million, and BBX Capital may be required to repay all or a portion of the \$80.0 million borrowed from Bluegreen if Bluegreen is not in compliance with debt covenants under its debt instruments.

The Company's indebtedness, including any future debt incurred by the Company, may make us more vulnerable to downturns in the economy and may subject the Company to covenants or restrictions on its operations and activities.

On September 21, 2009, the Company's board of directors approved a share repurchase program which authorized the repurchase of up to 20,000,000 shares of Class A Common Stock and Class B Common Stock at an aggregate cost of up to \$10.0 million. The share repurchase program authorized management, at its discretion, to repurchase shares from time to time subject to market conditions and other factors. During April 2017, the Company repurchased 1.0 million shares of its Class A Common Stock under this share repurchase program for approximately \$6.2 million.

On June 13, 2017, the Company's board of directors approved a share repurchase program which authorizes the repurchase of a total of up to 5,000,000 shares of the Company's Class A Common Stock and Class B Common Stock at an aggregate cost of no more than \$35.0 million. This program replaces the Company's repurchase program that the board approved in September 2009 discussed above. The current program, like the prior program, authorizes management, at its discretion, to repurchase shares from time to time subject to market conditions and other factors. During November 2017, the Company repurchased 321,593 shares of its Class A Common Stock under this share repurchase program for approximately \$2.4 million.

The Company has outstanding 15,000 shares of 5% Cumulative Preferred Stock at a stated value of \$1,000 per share. The shares of 5% Cumulative Preferred Stock are redeemable at the option of the Company, from time to time, at a redemption price of \$1,000 per share. Shares of the 5% Cumulative Preferred Stock are also subject to mandatory redemption as described below. The 5% Cumulative Preferred Stock's liquidation preference is equal to its stated value of \$1,000 per share plus any accumulated and unpaid dividends or an amount equal to the applicable redemption price in a voluntary liquidation or winding up of the Company. Holders of the 5% Cumulative Preferred Stock have no voting rights, except as provided by Florida law, and are entitled to receive, when and as declared by the Company's board of directors, cumulative quarterly cash dividends on each such share at a rate per annum of 5% of the stated value from the date of issuance. The Company pays regular quarterly cash dividends of \$187,500 on its 5% Cumulative Preferred Stock. The terms of the 5% Cumulative Preferred Stock requires a mandatory redemption of the stock and accordingly is classified as a liability in the Company's Consolidated Statements of Financial Condition. The Company is required to redeem the preferred shares in \$5.0 million annual payments in each of the years ending December 31, 2018, 2019 and 2020. During December 2013, the Company made a \$5.0 million loan to the holders of 5% Cumulative Preferred Stock. The loan is secured by 5,000 shares of 5% Cumulative Preferred Stock, has a term of five years, accrues interest at a rate of 5% per annum and provides for payments of interest only on a quarterly basis during the term of the loan, with all outstanding amounts being due and payable at maturity.

Additionally, in October 2017, BBX Capital borrowed \$3.4 million from the holders of 5% Cumulative Preferred Stock in connection with its initial capital contribution to the Chapel Grove real estate joint venture. See Note 13 included under Item 8 of this report for a discussion of the unsecured promissory note and investment in the real estate joint venture.

On March 6, 2018, BBX Capital, BBX Sweet Holdings, Food for Thought Restaurant Group-Florida, LLC, BCC and Woodbridge, entered into a Loan and Security Agreement and related agreements with Iberiabank, as administrative agent and lender, and City National Bank of Florida, as lender, which provide for a \$50 million revolving line of credit. Amounts borrowed under the facility will accrue interest at a floating rate of 30-day LIBOR plus a margin of 3.0% to 3.75% or the Prime Rate plus a margin of 1.50% to 2.25%. The applicable margin is based on BBX Capital's debt to EBITDA ratio. Payments of interest only will be payable monthly. The facility matures, and all outstanding principal and interest will be payable, on March 6, 2020, with twelve month renewal options at BBX Capital's request, subject to satisfaction of certain conditions. The facility is secured by a pledge of a percentage of BBX Capital's membership interests in Woodbridge having a value of not less than \$100 million. Borrowings under the facility may be used for business acquisitions, real estate investments, stock repurchases, letters of credit and general corporate purposes. Under the terms and conditions of the Loan and Security Agreement, we are required to comply with certain financial covenants, including maintaining minimum unencumbered liquidity and complying with financial ratios related to fixed charge coverage and debt to EBITDA. The Loan and Security Agreement also contains customary affirmative and negative covenants, including those that, among other things, limit the ability of BBX Capital and the other borrowers to incur additional indebtedness and to make certain loans and investments.





## ***Bluegreen***

Bluegreen's primary sources of funds from internal operations are: (i) cash sales, (ii) down payments on VOI sales which are financed; (iii) proceeds from the sale of, or borrowings collateralized by, notes receivable, (iv) cash from finance operations, including mortgage servicing fees and principal and interest payments received on the purchase money mortgage loans arising from sales of VOIs, and (v) net cash generated from sales and marketing fee-based services and other fee-based services, including resorts management operations.

While the vacation ownership business has historically been capital intensive, and Bluegreen may from time to time pursue transactions or activities which may require significant capital investment and adversely impact cash flows, Bluegreen generally has sought to focus on the generation of "free cash flow" (defined as cash flow from operating activities, less capital expenditures) by (i) incentivizing its sales associates and creating programs with third-party credit card companies to generate a higher percentage of sales in cash; (ii) maintaining sales volumes that focus on its more efficient marketing channels; (iii) limiting its capital and inventory expenditures; (iv) utilizing sales and marketing, mortgage servicing, resort management services, title and construction expertise to pursue fee-based-service business relationships that generally require minimal up-front capital investment and have the potential to produce incremental cash flows, and (v) more recently by selling VOIs obtained through secondary markets or JIT arrangements.

VOI sales are generally dependent upon providing financing to buyers. The ability to sell and/or borrow against notes receivable from VOI buyers has been a critical factor in Bluegreen's continued liquidity. A financed VOI buyer is generally only required to pay a minimum of 10% to 20% of the purchase price in cash at the time of sale; however, selling, marketing, and administrative expenses attributable to the sale are primarily cash expenses that generally exceed a buyer's minimum required down payment. Accordingly, having financing facilities available for the hypothecation, sale, or transfer of these VOI notes receivable has been a critical factor in Bluegreen's ability to meet its short and long-term cash needs. Bluegreen has attempted to maintain a number of diverse financing facilities. Historically, Bluegreen has relied on its ability to sell receivables in the term securitization market in order to generate liquidity and create capacity in its receivable facilities. In addition, maintaining adequate VOI inventory to sell and pursue growth into new markets has historically required Bluegreen to incur debt for the acquisition, construction, and development of new resorts. Development expenditures during 2018 are expected to be in a range of \$55.0 million to \$65.0 million, which primarily relate to Bluegreen/Big Cedar Vacations resort and development at Bluegreen's Fountains resort in Orlando, Florida. Bluegreen expects to seek to acquire or develop additional VOI inventory, which may increase acquisition and development expenditures as compared to prior periods and may involve or require the incurrence of additional debt.

In connection with Bluegreen's capital-light business strategy activities, Bluegreen has entered into agreements with third party developers that allow Bluegreen to buy VOI inventory typically on a non-committed basis prior to when Bluegreen intends to sell such VOI. Bluegreen's capital-light business strategy also includes secondary market sales, pursuant to which Bluegreen enters into secondary market arrangements with certain HOAs and others on a non-committed basis, which allows Bluegreen to acquire VOIs generally at a significant discount as such VOIs are typically obtained by the HOAs through foreclosure in connection with maintenance fee defaults. Acquisition of JIT and secondary market inventory in 2018 is expected to range from \$25.0 million to \$30.0 million.

In addition, capital expenditures in connection with sales and marketing facilities as well as information technology capital expenditures are expected to be in a range of \$25.0 million to \$35.0 million during 2018.

Available funds may also be used to acquire other businesses or assets, invest in other real estate based opportunities, or loan to affiliates or others.

Bluegreen's level of debt and debt service requirements have several important effects on Bluegreen's operations, including the following: (i) significant debt service cash requirements reduce the funds available for operations and future business opportunities and increases Bluegreen's vulnerability to adverse economic and industry conditions, as well as conditions in the credit markets, generally; (ii) Bluegreen's leverage position increases its vulnerability to economic and competitive pressures; (iii) the financial covenants and other restrictions contained in indentures, credit agreements and other agreements relating to Bluegreen's indebtedness require Bluegreen to meet certain financial tests and may restrict Bluegreen's ability to, among other things, pay dividends, borrow additional funds, dispose of assets or make investments; and (iv) Bluegreen's leverage position may limit funds available for acquisitions, working capital, capital expenditures, dividends, and other general corporate purposes. Certain of Bluegreen's competitors operate on a less leveraged basis and have greater operating and financial flexibility than Bluegreen does.

### *2017 Term Securitization*

On June 6, 2017, Bluegreen completed a private offering and sale of approximately \$120.2 million of investment-grade, VOI receivable-backed notes. The 2017 Term Securitization consisted of the issuance of two tranches of VOI receivable-



backed notes (the “Notes”): approximately \$88.8 million of Class A notes and approximately \$31.4 million of Class B notes with interest rates of 2.95% and 3.59%, respectively, which blended to an overall weighted average interest rate of approximately 3.12%. The gross advance rate for this transaction was 88%. The Notes mature in October 2032.

The amount of the VOI notes receivable sold to BXG Receivables Note Trust 2017 (the “2017 Trust”) was approximately \$136.5 million, approximately \$117.0 million of which was sold to the 2017 Trust at closing, and approximately \$19.6 million of which was subsequently sold to the 2017 Trust. The gross proceeds of such sales to the 2017 Trust were \$120.2 million. A portion of the proceeds received were used to: repay KeyBank and DZ \$32.3 million, representing all amounts outstanding (including accrued interest) under the KeyBank/DZ Purchase Facility; repay Liberty Bank approximately \$26.8 million (including accrued interest) under Bluegreen’s existing facility with Liberty Bank; capitalize a reserve fund; and pay fees and expenses associated with the transaction. In April 2017, Bluegreen, as servicer, redeemed the notes related to BXG Receivables Note Trust 2010-A for approximately \$10.0 million, and certain of the VOI notes receivable in such trust were sold to the 2017 Trust in connection with the 2017 Term Securitization. The remainder of the proceeds from the 2017 Term Securitization were used for or are expected to be used for general corporate purposes. As a result of the facility repayments described above, immediately after the closing of the 2017 Term Securitization, (i) there were no amounts outstanding under the KeyBank/DZ Purchase Facility, which allows for maximum outstanding receivable-backed borrowings of \$80.0 million on a revolving basis through December 31, 2019 and (ii) there was approximately \$10.0 million outstanding under the Liberty Bank Facility, which permits maximum outstanding receivable-backed borrowings of \$50.0 million on a revolving basis through March 31, 2018, in each case, subject to eligible collateral and the other terms and conditions of the facility. Thus, additional availability of approximately \$58.9 million in the aggregate was created under the KeyBank/DZ Purchase Facility and Liberty Bank Facility as a result of the repayments.

While ownership of the VOI notes receivable included in the 2017 Term Securitization is transferred and sold for legal purposes, the transfer of these VOI notes receivable is accounted for as a secured borrowing for financial accounting purposes. Accordingly, no gain or loss was recognized as a result of this transaction. Subject to the performance of the collateral, Bluegreen will receive any excess cash flows generated by the receivables transferred under the 2017 Term Securitization (excess meaning after payments of customary fees, interest, and principal under the 2017 Term Securitization) on a pro-rata basis as borrowers make payments on their notes.

See Note 13 – Debt under Item 8 included in this report for additional information with respect to Bluegreen’s receivable-backed notes payable facilities.

*Credit Facilities for Bluegreen Receivables with Future Availability*

Bluegreen maintains various credit facilities with financial institutions which allow Bluegreen to borrow against or sell its VOI notes receivable. Bluegreen had the following credit facilities with future availability as of December 31, 2017, all of which are subject to revolving availability terms during the advance period and therefore provide for additional availability as the facility is paid down, subject to compliance with relevant covenants, eligible collateral and applicable terms and conditions during the advance period (dollars in thousands):

	<b>Borrowing Limit as of December 31, 2017</b>	<b>Outstanding Balance as of December 31, 2017</b>	<b>Availability as of December 31, 2017</b>	<b>Advance Period Expiration; Borrowing Maturity as of December 31, 2017</b>	<b>Borrowing Rate; Rate as of December 31, 2017</b>
Liberty Bank Facility	\$ 50,000	\$ 24,990	\$ 25,010	March 2018; November 2020	Prime Rate +0.50%; floor of 4.00%; 5.00% 30 day LIBOR +
NBA Receivable Facility <sup>(1)</sup>	50,000	44,414	5,586	September 2020; March 2025	2.75%; floor of 3.50%; 4.10% 30 day
Pacific Western Bank Facility	40,000	18,008 <sup>(2)</sup>	21,992 <sup>(2)</sup>	September 2018; September 2021	LIBOR+3.50% to 4.50%; 6.00% 30 day
KeyBank/DZ Purchase Facility	80,000	16,144	63,856	December 2019; December 2022	LIBOR+2.75%; 4.31% <sup>(3)</sup>
Quorum Purchase Facility	50,000	16,771	33,229	June 2018; December 2030	(4)
	<u>\$ 270,000</u>	<u>\$ 120,327</u>	<u>\$ 149,673</u>		

(1) The borrowing limit excludes the \$20.0 million borrowing limit under the NBA Line of Credit.

(2) The outstanding balance includes \$2.7 million outstanding as of December 31, 2017 under the Pacific Western Term Loan.



- (3) Borrowings accrue interest at a rate equal to either LIBOR, a “Cost of Funds” rate or commercial paper rates plus 2.75%. The interest rate will increase to the applicable rate plus 4.75% upon the expiration of the advance period.
- (4) Of the amounts outstanding as of December 31, 2017, \$3.3 million bears interest at a fixed rate of 6.9%, \$3.0 million bears interest at a fixed rate of 5.5%, \$3.6 million bears interest at a fixed rate of 5.0%, and \$6.8 million bears interest at a fixed rate of 4.75%. The interest rate on future borrowings will be set at the time of funding based on rates mutually agreed upon by all parties.

#### *Other Credit Facilities and Outstanding Notes Payable*

*Fifth Third Syndicated Line-of-Credit and Fifth Third Syndicated Term Loan.* In December 2016, Bluegreen entered into a \$100.0 million syndicated credit facility with Fifth Third Bank, as administrative agent and lead arranger, and certain other bank participants as lenders. The facility includes a \$25.0 million term loan (the “Fifth Third Syndicated Term Loan”) with quarterly amortization requirements and a \$75.0 million revolving line of credit (the “Fifth Third Syndicated Line-of-Credit”). Amounts borrowed under the facility generally bear interest at LIBOR plus 2.75% - 3.75% depending on Bluegreen’s leverage ratio, are collateralized by certain of its VOI inventory, sales center buildings, management fees and short-term receivables, and will mature in December 2021. As of December 31, 2017, outstanding borrowings under the facility totaled \$43.8 million, including \$23.8 million under the Fifth Third Syndicated Term Loan with an interest rate of 4.32%, and \$20.0 million under the Fifth Third Syndicated Line of Credit with an interest rate of 4.27%.

Bluegreen also has outstanding obligations under various credit facilities and securitizations that have no remaining future availability as the advance periods have expired.

See Note 13 – Debt under Item 8 included in this report for additional information with respect to Bluegreen’s credit facilities terms and covenants.

#### **Critical Accounting Policies**

Management views critical accounting policies as accounting policies that are important to the understanding of our financial statements and also involve estimates and judgments about inherently uncertain matters. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and assumptions that affect the recognition of income and expenses on the consolidated statements of operations and comprehensive income for the periods presented. On an ongoing basis, management evaluates its estimates, including those that relate to the determination of:

- The allowance for credit losses;
- The estimated future sales value of inventory;
- The recognition of revenue, including revenue recognition under the percentage-of-completion method of accounting;
- The recovery of the carrying value of real estate inventories;
- The fair value of assets measured at, or compared to, fair value on a non-recurring basis such as assets held for sale, intangible assets, other long-lived assets and goodwill;
- The valuation of assets and liabilities assumed in the acquisition of a business;
- The amount of deferred tax valuation allowance;
- Accounting for uncertain tax positions; and
- The estimate of contingent liabilities related to litigation and other claims and assessments.

The accounting policies that we have identified as critical accounting policies are:

- Revenue recognition and inventory cost allocation;
- The carrying value of completed VOI inventory;
- The carrying value of VOIs held for future VOI development and VOI properties under development or held for development;
- Evaluating long-lived assets and definite lived intangible assets for impairment;
- Evaluating goodwill and indefinite lived intangible assets for impairment; and
- Allowance for credit losses on VOI Notes Receivable.

Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values

of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions and conditions. If actual results significantly differ from management's estimates, our results of operations and financial condition could be materially and adversely impacted.

### ***Revenue Recognition and Inventory Cost Allocation***

#### *Sales of Real Estate*

In accordance with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 970-605, *Real Estate-Revenue Recognition*, Bluegreen recognizes revenue on VOI sales when a minimum of 10% of the sales price has been received in cash (buyer's commitment), the legal rescission period has expired, collectibility of the receivable representing the remainder of the sales price is reasonably assured and Bluegreen has completed substantially all of its obligations with respect to any development related to the real estate sold.

Bluegreen believes that it uses a reasonably reliable methodology to estimate the collectibility of the receivables representing the remainder of the sales price of VOIs sold. See the further discussion of Bluegreen's policies regarding the estimation of credit losses on Bluegreen's notes receivable below. Should Bluegreen become unable to reasonably estimate the collectibility of its receivables, Bluegreen may have to defer the recognition of sales and its results of operations could be negatively impacted.

Under timeshare accounting rules, the buyer's minimum cash down payment towards the purchase of Bluegreen's VOIs is met only if the cash down payment received, reduced by the value of certain incentives provided to the buyer at the time of sale, is at least 10% of the sales price. If, after consideration of the value of the incentive, the total down payment received from the buyer is less than 10% of the sales price, the VOI sale, and the related cost of sales and direct selling expenses, are deferred until such time that sufficient cash is received from the customer, generally through receipt of mortgage payments, to meet the 10% threshold. Changes to the quantity, type or value of sales incentives that Bluegreen provides to buyers of its VOIs may increase the number of VOI sales being deferred or extend the period during which a sale is deferred, which could materially adversely impact Bluegreen's results of operations.

In cases where construction and development on Bluegreen-owned resorts has not been substantially completed, Bluegreen recognizes revenue in accordance with the percentage-of-completion method of accounting. Should Bluegreen's estimates of the total anticipated cost of completing any of its projects increase, Bluegreen may be required to defer a greater amount of revenue or may be required to defer revenue for a longer period of time, which could materially adversely impact its results of operations.

Timeshare accounting rules require the use of an industry-specific relative sales value method for relieving VOI inventory and recording cost of sales. Under the relative sales value method, cost of sales is calculated as a percentage of net sales using a cost-of-sales percentage — the ratio of total estimated development cost to total estimated VOI revenue, including the estimated incremental revenue from the resale of repossessed VOI inventory, as a result of the default of the related receivable.

### *Fee-Based Sales Commissions and Other Revenue*

In addition to sales of VOIs, Bluegreen also generates revenue from the activities listed below. The table provides a brief description of the applicable revenue recognition policy:

<u>Activity</u>	<u>Revenue is recognized when:</u>
Fee-based sales commissions	The sale transaction with the VOI purchaser is consummated in accordance with the terms of the agreement with the third-party developer and the related consumer rescission period has expired.
Resort management and service fees	Management services are rendered. <sup>(1)</sup>
Resort title fees	Escrow amounts are released and title documents are completed.
Rental and sampler program	Guests complete stays at the resorts. Rental and sampler program proceeds are classified as a reduction to “Cost of other fee-based services” in the consolidated statements of operations and comprehensive income.

- (1) In connection with Bluegreen’s management of the HOAs, among other things, Bluegreen acts as agent for the HOAs to operate the resort as provided under the management agreements. In certain cases, personnel at the resorts are Bluegreen employees. The HOAs bear the costs of such personnel and generally pay Bluegreen in advance of, or simultaneously with, the payment of payroll. In accordance with ASC 605-45, *Overall Considerations of Reporting Revenues Gross as a Principal versus Net as an Agent*, reimbursements from the HOAs relating to direct pass-through costs are recorded net of the related expenses.

### *Carrying Value of Completed VOI Inventory*

Bluegreen carries its completed VOIs at the lower of (i) cost, including costs of improvements and amenities incurred subsequent to acquisition, capitalized interest, real estate taxes and other costs incurred during construction, or (ii) estimated fair market value, less costs to sell. The outstanding balance of completed VOI inventory was \$194.5 million as of December 31, 2017.

Bluegreen capitalizes interest expense, real estate taxes and other costs when activities that are necessary to prepare the VOI inventory for its intended use are underway. Bluegreen ceases capitalization of costs during prolonged gaps in development when substantially all activities are suspended or when projects are considered substantially complete.

### *Carrying Value of Real Estate Held for Future VOI Development and VOI Properties Under Development or Held for Development*

The Company evaluates the recoverability of its real estate properties under development or held for development, if certain trigger events occur. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, the asset is written down to its estimated fair value. The outstanding balance of construction in progress and real estate held for future VOI development was \$22.3 million and \$64.5 million, respectively, as of December 31, 2017.

### *Evaluating Long-lived Assets and Definite-lived Intangible Assets for Impairment*

The Company evaluates its long-lived assets and definite-lived intangible assets when events and circumstances indicate that assets may be impaired and when the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The carrying value of these assets is dependent upon estimates of future earnings that they are expected to generate. If cash flows decrease significantly, these assets may be impaired, in which case they would be written down to their fair value. The estimates of useful lives and expected cash flows require us to make significant judgments regarding future periods that are subject to a number of factors, many of which may be beyond our control. The outstanding balance of long-lived assets and definite lived intangible assets was \$112.9 million and \$9.2 million, respectively, as of December 31, 2017. During the year ended December 31, 2017, the Company recognized a \$1.9 million intangible asset impairment loss associated with certain BBX Sweet Holding’s acquisitions in 2014 and 2015. The impairment loss was measured as the amount by which the carrying amount of the intangible assets exceeded their fair value.

### *Evaluating Goodwill and Indefinite Lived Intangible Assets for Impairment*

The process of evaluating goodwill for impairment involves the determination of the fair value of the Company's reporting units. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including the Company's interpretation of current economic indicators and market valuations, and assumptions about the Company's strategic plans with regard to its operations. Due to the uncertainties associated with such evaluations, actual results could differ materially from such estimates. The Company's goodwill as of December 31, 2017 was \$39.5 million and was recorded in association with BBX Sweet Holding's acquisitions during 2017, 2015 and 2014. The goodwill was tested for impairment on December 31, 2017 (annual testing date) and was determined to be impaired, and an impairment loss of \$2.4 million was recorded.

The Company's indefinite lived intangible assets as of December 31, 2017 consisted of \$62.0 million of management contracts, which were originated in connection with the November 16, 2009 acquisition of a controlling interest in Bluegreen. Such management contracts are not amortized, but instead are reviewed for impairment at least annually, or if events or changes in circumstances indicate that it is more likely than not that the related carrying amounts may be impaired. Due to the uncertainties associated with such evaluations, actual results could differ materially from such estimates.

### *Allowance for Credit Losses on VOI Notes Receivable*

The allowance for credit losses is related to the notes receivable generated in connection with Bluegreen's financing of VOI sales. Bluegreen uses a static pool analysis as a basis for determining an estimated reserve requirement on its VOI notes receivable. The adequacy of the related allowance is determined by Bluegreen's management through analyses of several qualitative and quantitative factors requiring judgment, such as economic factors, default trends by origination year and FICO scores of borrowers. Changes in estimates used could result in a material change to Bluegreen's allowance.

### **Impact of Inflation**

The financial statements and related financial data and notes presented herein have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

The Company is subject to significant interest rate risk on Bluegreen's notes receivables as well as other outstanding debt. As a result, interest rates have a more significant impact on our performance than the effects of general price levels. Although interest rates generally move in the same direction as inflation, the magnitude of such changes varies.

The Company believes that inflation and changing prices have had and may in the future have a material impact on its revenues and results of operations. Bluegreen has increased the sales prices of its VOIs periodically, including in September 2016 and June 2017, and has from time to time experienced increases in construction and development costs. Bluegreen may not be able to increase or maintain the current level of its sales prices, and increased construction costs may have a material adverse impact on its gross margin. In addition, to the extent that inflation in general or increased prices for VOIs adversely impacts consumer demand, Bluegreen's results of operations could be adversely impacted. Furthermore, while increases in real estate construction and development costs may result in increases in real estate sales prices, sales prices may not increase commensurate with the increase in costs or they may decrease, and increased construction costs may have a material adverse impact on gross margin. In addition, inflation is often accompanied by higher interest rates which could have a negative impact on consumer demand and the costs of financing activities. Rising interest rates as well as increased materials and labor costs may reduce margins.



## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Market Risk**

Market risk is defined as the risk of loss arising from adverse changes in market valuations resulting from interest rate risk, foreign currency exchange rate risk, commodity price risk and equity price risk. BBX Capital's primary market risk is equity price risk and interest rate risk.

The Company's real estate assets market risk consists primarily of equity pricing risk and secondarily interest rate risk. The Company's real estate assets are investments in unconsolidated real estate companies, real estate held-for-investment or held-for-sale, real estate inventory and loans secured by real estate. The Company's financial condition and earnings are affected by changes in real estate values in the markets where the real estate or real estate collateral is located and changes in interest rates which affects the affordability of real estate. As a result, there is exposure to equity pricing and interest rate risk in the real estate market.

The Company's results of operations are subject to foreign currency exchange risk of the U.S. dollar compared to the Canadian dollar through its ownership of Renin. Renin's assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rates between the U.S. dollar and the Canadian dollar. As of December 31, 2017, the Company has not entered into any foreign exchange forward contracts as hedges against foreign currency exchange risk.

The market price of BBX Capital's Class A Common Stock and Class B Common Stock are important to the valuation and financing capability of BBX Capital.

The Company, particularly with respect to Bluegreen, is affected by interest rates, which are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The nature and timing of any changes in such policies or general economic conditions and their effect on the Company and its subsidiaries are unpredictable.

As of December 31, 2017, Bluegreen had fixed interest rate debt of approximately \$381.4 million and floating interest rate debt of approximately \$210.3 million. In addition, Bluegreen's notes receivables as of December 31, 2017 were comprised of approximately \$549.4 million of notes bearing interest at fixed rates and approximately \$1.3 million of notes bearing interest at floating rates. The floating interest rates are subject to floors and are generally based either upon the prevailing prime or LIBOR rates. For floating rate financial instruments, interest rate changes generally do not affect the market value of the debt, but do impact earnings and cash flows relating to the debt, assuming other factors are held constant. Conversely, for fixed rate financial instruments, interest rate changes affect the market value of the debt but do not impact earnings or cash flows relating to the debt, assuming other factors are held constant.

The Company is subject to interest rate risk on Woodbridge's junior subordinated debentures. The interest rates for Woodbridge's \$66.3 million of junior subordinated debentures are variable rates based upon the prevailing 3-month LIBOR rates. For variable rate financial instruments, interest rate changes do not generally affect the market value of the debt, but they do impact future earnings and cash flows, assuming other factors are held constant. If interest rates were to increase one percentage point, the effect on interest expense related to Woodbridge's variable-rate debt would be an annual increase of approximately \$663,000, based on December 31, 2017 balances.

To the extent inflationary trends, tightened credit markets or other factors affect interest rates, Bluegreen's debt service costs may increase. If interest rates increased one percentage point, the effect on interest expense related to Bluegreen's floating-rate debt would be an annual increase of approximately \$2.1 million based on December 31, 2017 balances and interest rates. Due to the interest rate floors on Bluegreen's floating rate debt, if interest rates decreased one percentage point, the effect on interest expense related to its floating rate debt would be an annual decrease of approximately \$1.4 million based on December 31, 2017 balances and interest rates. In addition, a one percentage point increase or decrease in interest rates would affect the total fair value of Bluegreen's fixed rate debt by an immaterial amount. This analysis does not consider the effects of changes in the level of overall economic activity that could result due to interest rate changes. Further, in the event of a significant change in interest rates, Bluegreen may pursue actions in order to mitigate any exposure to the change. However, due to the uncertainty of the specific actions that may be taken and their possible effects, the foregoing sensitivity analysis assumes no changes in Bluegreen's financial structure.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**BBX CAPITAL CORPORATION**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
BBX Capital Corporation

### Opinion on the financial statements

We have audited the accompanying consolidated statements of financial condition of BBX Capital Corporation (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 9, 2018 expressed an unqualified opinion.

### Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2015.

Fort Lauderdale, Florida  
March 9, 2018

**BBX Capital Corporation**  
**Consolidated Statements of Financial Condition**  
(In thousands, except share data)

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 362,526	299,861
Restricted cash (\$19,488 in 2017 and \$21,894 in 2016 in variable interest entities ("VIEs"))	46,721	46,456
Loans receivable, net	19,454	25,521
Notes receivable, net (\$282,599 in 2017 and \$287,012 in 2016 in VIEs)	431,801	430,480
Trade inventory	23,902	14,726
Vacation ownership interest ("VOI") inventory	281,291	238,534
Real estate (\$27,828 in 2017 and \$33,345 in 2016 held for sale)	68,536	61,003
Investments in unconsolidated real estate joint ventures	47,275	43,491
Property and equipment, net	112,858	95,998
Goodwill	39,482	6,731
Intangible assets, net	70,449	68,455
Other assets	102,370	104,812
<b>Total assets</b>	<b>\$ 1,606,665</b>	<b>1,436,068</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 31,370	28,855
Deferred income	36,311	37,015
Escrow deposits	21,079	20,152
Other liabilities	103,926	95,611
Receivable-backed notes payable - recourse	84,697	87,631
Receivable-backed notes payable - non-recourse (in VIEs)	336,421	327,358
Notes payable and other borrowings	144,114	133,790
Junior subordinated debentures	135,414	152,367
Deferred income taxes	43,093	44,318
Redeemable 5% cumulative preferred stock of \$.01 par value; authorized 15,000 shares; issued and outstanding 15,000 shares with a stated value of \$1,000 per share	13,974	13,517
<b>Total liabilities</b>	<b>950,399</b>	<b>940,614</b>
Commitments and contingencies (See Note 15)		
Redeemable noncontrolling interest	2,765	-
<b>Equity:</b>		
Preferred stock of \$.01 par value; authorized 10,000,000 shares	-	-
Class A Common Stock of \$.01 par value; authorized 150,000,000 shares; issued and outstanding 85,689,163 in 2017 and 84,844,439 in 2016	857	848
Class B Common Stock of \$.01 par value; authorized 20,000,000 shares; issued and outstanding 13,963,200 in 2017 and 13,184,789 in 2016	140	132
Additional paid-in capital	229,379	193,347
Accumulated earnings	341,146	259,110
Accumulated other comprehensive income	1,708	1,167
Total shareholders' equity	573,230	454,604
Noncontrolling interests	80,271	40,850
<b>Total equity</b>	<b>653,501</b>	<b>495,454</b>
<b>Total liabilities and equity</b>	<b>\$ 1,606,665</b>	<b>1,436,068</b>

See Notes to Consolidated Financial Statements

**BBX Capital Corporation**  
**Consolidated Statements of Operations and Comprehensive Income**  
(In thousands, except per share data)

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>			
Sales of VOIs	\$ 239,662	266,142	259,236
Fee-based sales commission revenue	229,389	201,829	173,659
Other fee-based services revenue	111,819	103,448	97,539
Trade sales	142,798	95,996	84,284
Interest income	83,708	85,746	89,071
Net gains on sales of assets	2,442	6,076	31,092
Other revenue	5,964	8,058	9,376
Total revenues	<u>815,782</u>	<u>767,295</u>	<u>744,257</u>
<b>Costs and Expenses</b>			
Cost of sales of VOIs	17,439	27,346	22,884
Cost of other fee-based services	68,336	64,479	60,942
Cost of trade sales	97,755	74,341	62,707
Interest expense	35,205	36,037	40,408
Recoveries from loan losses, net	(7,495)	(20,508)	(13,457)
Asset impairments, net	7,431	4,656	287
Net gains on cancellation of junior subordinated debentures	(6,929)	-	-
Litigation settlement	-	-	36,500
Reimbursements of litigation costs and penalty	(13,169)	-	-
Selling, general and administrative expenses	538,125	516,757	466,700
Total costs and expenses	<u>736,698</u>	<u>703,108</u>	<u>676,971</u>
Equity in net earnings (losses) of unconsolidated real estate joint ventures	14,483	13,630	(1,565)
Foreign exchange (loss) gain	(193)	219	(1,038)
Income before income taxes	93,374	78,036	64,683
Benefit (provision) for income taxes	7,223	(36,379)	76,596
Net income	100,597	41,657	141,279
Less: Net income attributable to noncontrolling interests	18,402	13,295	18,805
<b>Net income attributable to shareholders</b>	<u>\$ 82,195</u>	<u>28,362</u>	<u>122,474</u>
<b>Basic earnings per share</b>	<u>\$ 0.83</u>	<u>0.33</u>	<u>1.41</u>
<b>Diluted earnings per share</b>	<u>\$ 0.79</u>	<u>0.32</u>	<u>1.40</u>
Basic weighted average number of common shares outstanding	98,745	86,902	87,022
Diluted weighted average number of common and common equivalent shares outstanding	103,916	87,492	87,208
<b>Cash dividends declared per Class A common share</b>	<u>\$ 0.030</u>	<u>0.015</u>	<u>0.000</u>
<b>Cash dividends declared per Class B common share</b>	<u>\$ 0.030</u>	<u>0.015</u>	<u>0.000</u>
<b>Net income</b>	<u>\$ 100,597</u>	<u>41,657</u>	<u>141,279</u>
<b>Other comprehensive income, net of tax:</b>			
Unrealized gains (losses) on securities available for sale net of taxes: \$20 provision for 2017, \$131 provision for 2016 and \$(16) benefit for 2015	135	(33)	(10)
Foreign currency translation adjustments	406	584	353
Other comprehensive income, net	541	551	343
<b>Comprehensive income, net of tax</b>	101,138	42,208	141,622
Less: Comprehensive income attributable to noncontrolling interests	18,402	13,295	18,885
<b>Comprehensive income attributable to shareholders</b>	<u>\$ 82,736</u>	<u>28,913</u>	<u>122,737</u>

See Notes to Consolidated Financial Statements



Issuance of Common Stock from vesting of restricted stock awards	1,389	593	14	6	(20)	-	-	-	-	-
Issuance of Common Stock from exercise of options	48	-	-	-	10	-	-	10	-	10
Share-based compensation	-	-	-	-	6,350	-	-	6,350	-	6,350
<b>Balance, December 31, 2016</b>	<b>84,845</b>	<b>13,185</b>	<b>\$ 848</b>	<b>132</b>	<b>193,347</b>	<b>259,110</b>	<b>1,167</b>	<b>454,604</b>	<b>40,850</b>	<b>495,454</b>

Continued



**BBX Capital Corporation**  
**Consolidated Statements of Changes in Equity**  
For Each of the Years in the Three Year Period Ended December 31, 2017  
(In thousands)

	Shares of Common Stock		Common Stock		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehen- sive Income	Total Shareholders' Equity	Non- controlling Interests	Total Equity
	Outstanding Class		Class							
	A	B	A	B						
<b>Balance, December 31, 2016</b>	<b>84,845</b>	<b>13,185</b>	<b>\$ 848</b>	<b>132</b>	<b>193,347</b>	<b>259,110</b>	<b>1,167</b>	<b>454,604</b>	<b>40,850</b>	<b>495,454</b>
Cumulative effect from excess tax benefits on share based compensation associated with the adoption of ASU 2016-09	-	-	-	-	-	3,054	-	3,054	-	3,054
Net income excluding \$175 of earnings attributable to redeemable noncontrolling interest	-	-	-	-	-	82,195	-	82,195	18,227	100,422
Other comprehensive income	-	-	-	-	-	-	541	541	-	541
Bluegreen initial public offering, net of income taxes	-	-	-	-	51,351	-	-	51,351	32,584	83,935
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	(11,390)	(11,390)
Class A Common Stock cash dividends declared	-	-	-	-	-	(2,712)	-	(2,712)	-	(2,712)
Class B Common Stock cash dividends declared	-	-	-	-	-	(501)	-	(501)	-	(501)
Repurchase and retirement of common stock	(3,716)	(176)	(37)	(2)	(27,585)	-	-	(27,624)	-	(27,624)
Conversion of common stock from Class B to Class A	95	(95)	-	-	-	-	-	-	-	-
Issuance of Common Stock from vesting of restricted stock awards	4,315	1,049	43	10	(53)	-	-	-	-	-
Issuance of Common Stock from exercise of options	150	-	3	-	60	-	-	63	-	63
Share-based compensation	-	-	-	-	12,259	-	-	12,259	-	12,259
<b>Balance, December 31, 2017</b>	<b>85,689</b>	<b>13,963</b>	<b>\$ 857</b>	<b>140</b>	<b>229,379</b>	<b>341,146</b>	<b>1,708</b>	<b>573,230</b>	<b>80,271</b>	<b>653,501</b>

See Notes to Consolidated Financial Statements

**BBX Capital Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating activities:</b>			
Net income	\$ 100,597	41,657	141,279
<b>Adjustment to reconcile net income to net cash provided by operating activities:</b>			
Recoveries from loan losses and asset impairments, net	(3,131)	(15,300)	(13,233)
Provision for notes receivable allowances	46,149	44,337	42,063
Depreciation, amortization and accretion, net	21,444	17,827	18,433
Share-based compensation expense	12,259	6,350	5,562
Share-based compensation expense of subsidiaries	-	6,099	5,472
Net gains on sales of real estate, loans held-for-sale, and properties and equipment	(2,471)	(5,139)	(31,211)
Equity in (earnings) losses of unconsolidated real estate joint ventures	(14,483)	(13,630)	1,565
Return on investment in unconsolidated real estate joint ventures	12,852	13,267	-
(Decrease) increase in deferred income tax	(10,201)	35,704	(84,329)
Impairment of goodwill	2,413	870	-
Net gains realized on cancellation of junior subordinated debentures	(6,929)	-	-
Interest accretion on shares subject to mandatory redemption	1,207	1,169	1,134
Increase in notes receivable	(47,470)	(59,219)	(33,394)
Increase in vacation ownership interest inventory	(42,757)	(18,323)	(25,498)
Increase in trade inventory	(2,261)	(2,704)	(559)
Increase in real estate inventory	(273)	-	-
(Increase) decrease in other assets	(6,941)	5,035	(12,462)
Increase (decrease) in other liabilities	5,595	23,163	(16,473)
<b>Net cash provided by (used in) operating activities</b>	<b>65,599</b>	<b>81,163</b>	<b>(1,651)</b>

**Continued**

**BBX Capital Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Investing activities:</b>			
Return of investment in unconsolidated real estate joint ventures	6,440	3,321	510
Investments in unconsolidated real estate joint ventures	(5,310)	(3,370)	(9,687)
Repayment of loans receivable	11,168	46,454	30,170
Proceeds from sales of loans and real estate	15,081	23,606	72,154
Proceeds from contribution of real estate to unconsolidated real estate joint ventures	-	-	701
Additions to real estate	(1,642)	(8,176)	(30,699)
Purchases of property and equipment	(22,045)	(12,939)	(12,810)
Proceeds from the sale of property and equipment	341	2,321	372
Cash paid for acquisition, net of cash received	(58,418)	-	(10)
Decrease in cash from other investing activities	(380)	(2,019)	(739)
<b>Net cash (used in) provided by investing activities</b>	<b>(54,765)</b>	<b>49,198</b>	<b>49,962</b>
<b>Financing activities:</b>			
Repayment of BB&T preferred interest in Florida Asset Resolution Group, LLC ("FAR")	-	-	(12,348)
Repayments of notes payable and other borrowings	(233,132)	(281,177)	(253,615)
Proceeds from notes payable and other borrowings	246,771	285,682	262,900
Redemption of junior subordinated debentures	(11,438)	-	-
Payments for debt issuance costs	(3,390)	(4,608)	(3,830)
Payments of interest on shares subject to mandatory redemption	(750)	(750)	(750)
Proceeds from the exercise of stock options	63	10	10
Dividends paid on common stock	(2,937)	(856)	-
Repurchase and retirement of common stock	(27,624)	(7,320)	(4,453)
Repurchase and retirement of subsidiary's common stock	-	(4,151)	(2,529)
Purchase of BCC noncontrolling interest	-	(16,894)	(95,424)
Bluegreen initial public offering, net of offering costs	95,923	-	-
Distributions to noncontrolling interest	(11,390)	(12,250)	(14,059)
<b>Net cash provided by (used in) financing activities</b>	<b>52,096</b>	<b>(42,314)</b>	<b>(124,098)</b>
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>62,930</b>	<b>88,047</b>	<b>(75,787)</b>
Cash, cash equivalents and restricted cash at beginning of period	346,317	258,270	334,057
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 409,247</b>	<b>346,317</b>	<b>258,270</b>

**Continued**

**BBX Capital Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)

	<b>For the Years Ended December</b>		
	<b>31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Supplemental cash flow information:</b>			
Interest paid on borrowings	\$ (29,980)	(32,139)	(35,111)
Income taxes paid	(4,015)	(2,203)	(26,092)
Income taxes refunded	-	2,695	309
<b>Supplementary disclosure of non-cash investing and financing activities:</b>			
Construction funds receivable transferred to real estate	11,276	-	-
Loans receivable transferred to real estate	1,365	4,807	3,215
Loans held-for-sale transferred to loans receivable	-	16,078	7,365
Loans receivable increase from sale of real estate	-	-	10,000
Real estate transferred to property and equipment	-	6,557	-
Real estate transferred to investments in unconsolidated real estate joint ventures	-	-	19,448
Property and equipment transferred to real estate	6,181	-	-
Decrease in deferred tax liabilities due to cumulative effect of excess tax benefits	3,054	-	-
Increase in other assets upon issuance of Community Development District Bonds	-	20,743	-
Issuance of common stock to acquire BCC noncontrolling interest	-	48,487	-
<b>Reconciliation of cash, cash equivalents and restricted cash</b>			
Cash and cash equivalents	362,526	299,861	198,905
Restricted cash	46,721	46,456	59,365
Total cash, cash equivalents, and restricted cash	\$ 409,247	346,317	258,270

See Notes to Consolidated Financial Statements

## **BBX Capital Corporation**

### **Notes to Consolidated Financial Statements**

#### **1. Basis of Financial Statement Presentation**

BBX Capital Corporation and its subsidiaries (the “Company” or, unless otherwise indicated or the context otherwise requires, “we,” “us,” or “our,”) is a Florida-based diversified holding company. BBX Capital Corporation as a standalone entity without its subsidiaries is referred to as “BBX Capital”. The Company’s core investments include Bluegreen Vacations Corporation (“Bluegreen” or “Bluegreen Vacations”), real estate and real estate joint ventures, and middle market operating businesses.

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in top leisure and urban destinations. Bluegreen’s resort network includes 43 Club Resorts (resorts in which owners in the Bluegreen Vacation Club (“Vacation Club”) have the right to use most of the units in connection with their VOI ownership) and 24 Club Associate Resorts (resorts in which owners in Bluegreen’s Vacation Club have the right to use a limited number of units in connection with their VOI ownership). Bluegreen is a sales, marketing, and management company focused on the vacation ownership industry. Bluegreen markets, sells and manages vacation ownership interests (“VOIs”) in resorts, which are generally located in popular, high-volume, “drive-to” vacation destinations. The resorts in which Bluegreen markets, sells or manages VOIs were either developed or acquired by Bluegreen, or were developed and are owned by third parties. Bluegreen earn fees for providing sales and marketing services to third party developers. Bluegreen also earns fees by providing management services to the Bluegreen Vacation Club (the “Vacation Club”) and home owners’ associations (“HOAs”), mortgage servicing, VOI title services, reservation services, and construction design and development services. In addition, Bluegreen provides financing to FICO score-qualified individual purchasers of VOIs, which generates significant interest income.

Prior to November 2017, Bluegreen Vacations’ parent, Woodbridge Holdings, LLC (“Woodbridge”), a wholly-owned subsidiary of BBX Capital, owned 100% of Bluegreen. On November 17, 2017, Bluegreen completed an initial public offering (“IPO”) of its common stock by selling to the public 3,736,723 of Bluegreen shares and Woodbridge selling 2,761,925 of Bluegreen shares as a selling shareholder. In connection with the offering, Woodbridge granted the underwriters a 30-day option to purchase up to an additional 974,797 shares from Woodbridge, and on December 5, 2017, the underwriters purchased all of the additional 974,797 option shares from Woodbridge. As a result of Bluegreen’s IPO, BBX Capital currently owns 90% of Bluegreen through Woodbridge.

The Company’s real estate investments include real estate joint ventures and the acquisition, development ownership, financing, and management of real estate. The Company’s investments in middle market operating businesses include Renin Holdings, LLC (“Renin”), a company that manufactures products for the home improvement industry, and investments in confectionery businesses through its wholly-owned subsidiary, BBX Sweet Holdings, LLC (“BBX Sweet Holdings”). The Company’s investment in confectionery businesses includes BBX Sweet Holdings’ acquisition of IT’SUGAR, LLC (“IT’SUGAR”) in June 2017. See Note 3 for additional information regarding the acquisition of IT’SUGAR.

On December 15, 2016, BBX Capital completed the acquisition of all the outstanding shares of the former BBX Capital Corporation (“BCC”) not previously owned by the Company. Prior to the acquisition, the Company had an 82% equity interest in BCC and a direct 54% equity interest in Woodbridge. As a result of the acquisition, BCC and Woodbridge are wholly-owned subsidiaries of BBX Capital, and on January 30, 2017, the Company changed its name from BFC Financial Corporation to BBX Capital Corporation. See Note 3 for additional information regarding the acquisition of BCC.

On April 30, 2015, the Company completed a cash tender offer pursuant to which it purchased from the shareholders of BCC a total of 4,771,221 shares of BCC’s Class A Common Stock at a purchase price of \$20.00 per share, for an aggregate purchase price of approximately \$95.4 million. Prior to the tender offer, the Company owned approximately 51% of the issued and outstanding shares of BCC’s Class A Common Stock and all of the issued and outstanding shares of BCC’s Class B Common Stock. The purchase of BCC’s Class A Common Stock in the tender offer increased the Company’s ownership interest to approximately 81% of the issued and outstanding shares of BCC’s Class A Common Stock. As a result of the increase in the Company’s ownership interest in BCC in excess of 80%, the



Company began filing a consolidated group tax return which includes the operations of BCC, Woodbridge and Bluegreen. See Note 14 for additional information regarding the Company's income taxes.

## 2. Summary of Significant Accounting Policies

The accounting policies applied by the Company conform to accounting principles generally accepted in the United States of America ("GAAP").

**Consolidation Policy** - The consolidated financial statements include the accounts of all the Company's wholly-owned subsidiaries, and other entities in which the Company and its subsidiaries hold controlling financial interests, as well as accounts of any variable interest entities ("VIEs") in which the Company or one of its consolidated subsidiaries is deemed the primary beneficiary of the VIE. All significant inter-company accounts and transactions have been eliminated among consolidated entities.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management evaluates its estimates, including those that relate to the estimated future sales value of inventory; the recognition of revenue, including revenue recognition under the percentage-of-completion method of accounting; allowance for credit losses; the recovery of the carrying value of VOI inventories; the measurement of assets and liabilities at fair value including business combinations and measuring the fair value on a non-recurring basis of intangible assets, goodwill, real estate held-for-sale and real estate held-for-investment; the amount of the deferred tax valuation allowance, accounting for uncertain tax positions and the estimate of contingent liabilities related to litigation and other claims and assessments. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions and conditions.

**Reclassifications** - Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2017.

**Cash, Cash Equivalents and Restricted Cash** - Cash equivalents consist of demand deposits at financial institutions, money market funds and other short-term investments with original maturities at the time of purchase of 90 days or less. Management generally invests cash in excess of its immediate operating requirements in short-term time deposits and money market instruments, typically with original maturities at the date of purchase of three months or less. Restricted cash consists primarily of customer deposits held in escrow accounts and cash collected on pledged/secured notes receivable not yet remitted to lenders. Management maintains cash and cash equivalents with various financial institutions located throughout the United States, Canada and Aruba in amounts exceeding the \$250,000 federally insured limit. Accordingly, the Company is subject to credit risk.

**Revenue Recognition** - Revenue is recorded for the sale of VOIs, net of a provision for credit losses, in accordance with timeshare accounting guidance. In accordance with the requirements of Accounting Standards Codification ("ASC") 970, *Real Estate* ("ASC 970"), Bluegreen recognizes revenue on VOI sales when a minimum of 10% of the sales price has been received in cash (demonstrating the buyer's commitment), the legal rescission period has expired, collectibility of the receivable representing the remainder of the sales price is reasonably assured and Bluegreen has completed substantially all of its obligations with respect to any development related to the real estate sold.

Bluegreen believes that it uses a reasonably reliable methodology to estimate the collectibility of the receivables representing the remainder of the sales price of real estate sold. Bluegreen's policies regarding the estimation of credit losses on its notes receivable are discussed in further detail under "Notes Receivable".

Under timeshare accounting rules, the calculation of the adequacy of a buyer's commitment for the sale of VOIs requires that cash received towards the purchase of Bluegreen VOIs be reduced by the value of certain incentives provided to the buyer at the time of sale. If after considering the value of the incentives provided, the 10% requirement is not met, the VOI sale, and the related cost and direct selling expenses, are deferred until such time that sufficient cash is received from the customer, generally through receipt of mortgage payments, to meet the 10% threshold. Changes to the quantity, type, or value of sales incentives that Bluegreen provides to buyers of its VOIs may result in additional VOI sales being deferred or extend the period during which a sale is deferred.





In cases where construction and development on Bluegreen-owned resorts has not been substantially completed, Bluegreen recognizes revenue in accordance with the percentage-of-completion method of accounting. To the extent that Bluegreen's estimates of the total anticipated cost of completing any of its projects increase, Bluegreen may be required to defer a greater amount of revenue or may be required to defer revenue for a longer period of time.

Under timeshare accounting rules, rental operations, including accommodations provided through the use of Bluegreen's sampler program, are accounted for as incidental operations whereby incremental carrying costs in excess of incremental revenues are expensed as incurred. Conversely, incremental revenues in excess of incremental carrying costs are recorded as a reduction to the carrying cost of VOI inventory. Incremental carrying costs include costs that have been incurred by Bluegreen during the holding period of unsold VOIs, such as developer subsidies and maintenance fees on unsold VOI inventory. During each of the years presented, all of Bluegreen's rental revenue and sampler revenue earned was recorded as an offset to cost of other fee-based services as such amounts were less than the incremental carrying costs.

In addition to sales of VOIs, Bluegreen also generates revenue from the activities listed below. The table provides a brief description of the applicable revenue recognition policy:

<b>Activity</b>	<b>Revenue is recognized when:</b>
Fee-based sales commissions	The sale transaction with the VOI purchaser is consummated in accordance with the terms of the agreement with the third-party developer and the related consumer rescission period has expired.
Resort management and service fees	Management services are rendered. <sup>(1)</sup>
Resort title fees	Escrow amounts are released and title documents are completed.
Rental and sampler program	Guests complete stays at the resorts. Rental and sampler program proceeds are classified as a reduction to "Cost of other fee-based services" in the consolidated statements of operations and comprehensive income.

- (1) In connection with Bluegreen's management of homeowners' associations ("HOA"), Bluegreen acts as agent for the HOA to operate the resort as provided under the management agreements. In certain cases, the personnel at the resorts are Bluegreen employees. The HOA bears the costs of such personnel and generally pay Bluegreen in advance of, or simultaneously with, the payment of payroll. In accordance with ASC 605-45, *Overall Considerations of Reporting Revenues Gross as a Principal versus Net as an Agent*, reimbursements from the HOAs relating to direct pass-through costs are recorded net of the related expenses.

Bluegreen's cost of other fee-based services consists of the costs associated with the various activities described above, as well as developer subsidies and maintenance fees on Bluegreen's unsold VOIs.

Revenue is recognized from sales of real estate and the transfer of real estate to joint ventures when the sales are closed and title passes to the buyer, the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property, the buyer's receivable, if applicable, is not subject to future subordination and the Company does not have substantial continuing involvement with the property.

Revenues are recognized on wholesale trade sales when products are shipped and the customer takes title and assumes the risk of loss. Revenues are recognized on retail trade sales at the point of sale, which occurs when products are sold at the Company's retail locations.

Revenues from interest income are recognized on accruing loans when management determines that it is probable that all of the principal and interest will be collected in accordance with the loan's contractual terms. Interest income is recognized on non-accrual loans on a cash basis.

Revenues from real estate operations are generally rental income from properties under operating leases. Rental income is recognized as rents become due and rental payments received in advance are deferred until earned.

**Loans Receivable** - Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances net of any discounts and allowance for loan losses. Loans that management has the intent to sell are classified as loans held-for-sale and are reported at the lower of aggregate cost or estimated fair value. Discounts on loans held-for-sale are deferred until the related loan is sold and included in gains and losses upon sale. Loans are classified as loans held-for-sale when management decides to sell loans that were not originated or purchased for sale. Transfers of loans between classifications are recorded at the lower of aggregate cost or estimated fair value at the transfer date.

An allowance for loan losses is recorded to reflect management's reasonable estimate of probable credit losses inherent in the loan portfolio based on its evaluation of credit risk as of period end. Loans are charged off against the allowance when management believes the loan is not collectible. Recoveries are credited to the allowance.

Management segregates loans into segments with certain common characteristics to form a basis for estimating losses for each segment. The loan portfolio has the following loan segments: residential, consumer, commercial non-real estate, commercial real estate, and small business loans. Impaired loans are measured based on the fair value of the collateral less costs to sell. Consumer and residential loans past due 120 days or more are evaluated individually for impairment and measured based on the lower of the estimated fair value of the loan's collateral less cost to sell or the carrying value of the loan.

Loans are generally placed on non-accrual status at the earlier of the loan becoming past due 90 days as to either principal or interest or when the borrower has entered bankruptcy proceedings and the loan is delinquent. When a loan is placed on non-accrual, all accrued interest is reversed against interest income. Loans may be restored to accrual status when there has been a satisfactory period of performance and the loan is expected to perform in the future according to its contractual terms.

**Notes Receivable** - Bluegreen's notes receivable are carried at amortized cost less an allowance for credit losses. Interest income is suspended, and previously accrued but unpaid interest income is reversed, on all delinquent Bluegreen notes receivable when principal or interest payments are more than 90 days contractually past due, and not resumed until such notes receivable are less than 90 days past due. As of December 31, 2017 and 2016, \$12.9 million and \$11.4 million, respectively, of Bluegreen's VOI notes receivable were more than 90 days past due, and accordingly, consistent with Bluegreen's policy, were not accruing interest income. After 120 days, Bluegreen's VOI notes receivable are generally written off against the allowance for credit loss.

Bluegreen records an estimate of expected uncollectible VOI notes receivable as a reduction of revenue at the time Bluegreen recognizes a VOI sale. Bluegreen estimates uncollectible VOI notes receivable in accordance with timeshare accounting rules. Under these rules, Bluegreen estimates of uncollectible VOI notes receivable is based on historical uncollectibles for similar VOI notes receivable. Bluegreen uses a static pool analysis, which tracks uncollectibles for each year's sales over the entire life of the notes. Bluegreen also considers whether the historical economic conditions are comparable to current economic conditions, as well as variations in underwriting standards. Additionally, under timeshare accounting rules, no consideration is given for future recoveries of defaulted inventory in the estimate of uncollectible VOI notes receivable. Bluegreen reviews its allowance for credit losses on at least a quarterly basis. Bluegreen's loan origination costs are deferred and recognized over the life of the related notes receivable.

**VOI Inventory** - Bluegreen's VOI inventory is primarily comprised of completed VOIs, VOIs under construction, and land held for future VOI development. VOI completed inventory is carried at the lower of (i) cost, including costs of improvements and amenities incurred subsequent to acquisition, capitalized interest, real estate taxes and other costs incurred during construction, or (ii) estimated fair market value, less costs to sell. VOI inventory and cost of sales are accounted for under timeshare accounting rules, which require the use of a specific method of the relative sales value method for relieving VOI inventory and recording cost of sales. Under the relative sales value method required by timeshare accounting rules, cost of sales is calculated as a percentage of net sales using a cost-of-sales percentage - the ratio of total estimated development costs to total estimated VOI revenue, including the estimated incremental revenue from the resale of VOI inventory repossessed, generally as a result of the default of the related receivable. Also, pursuant to timeshare accounting rules, we do not relieve inventory for VOI cost of sales related to anticipated credit losses. Accordingly, no adjustment is made when inventory is reacquired upon default of the related receivable.



Bluegreen also periodically evaluates the recoverability of the carrying amount of its undeveloped or under development resort properties in accordance with ASC 360, *Property, Plant and Equipment* (“ASC 360”), which provides guidance relating to the accounting for the impairment or disposal of long-lived assets. No impairment charges were recorded with respect to VOI inventory during any of the periods presented.

**Trade Inventory** – Trade inventory is measured at the lower of cost or market. Cost includes all costs of conversions, including materials, direct labor, production overhead, depreciation of equipment and shipping costs. Raw materials are stated at the lower of approximate cost, on a first-in, first-out or average cost basis, and market is 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 progress are stated at the lower of cost or market determined on a first-in, first-out or average cost basis. Shipping and handling fees billed to customers are recorded as trade sales and shipping and handling fees paid by the Company are recorded as selling, general, and administrative expenses. Included in the Company’s Consolidated Statements of Operations and Comprehensive Income as selling, general, and administrative expenses for the years ended December 31, 2017, 2016 and 2015 were \$8.2 million, \$6.0 million and \$5.5 million, respectively, of costs associated with shipping goods to customers.

In valuing inventory, the Company makes assumptions regarding the write-downs required for excess and obsolete inventory based on judgments and estimates formulated from available information. Estimates for excess and obsolete inventory are based on historical and forecasted usage. Inventory is also examined for upcoming expiration and write-downs are recorded where appropriate.

**Real Estate** – From time to time, the Company purchases or takes possession or ownership of real estate through foreclosure of the underlying loan collateral. Real estate acquired through foreclosure is measured at the fair value of the collateral and classified as real estate held-for-sale, real estate held-for-investment or real estate inventory. When real estate is classified as held-for-sale, it is initially recorded at fair value less estimated selling costs (cost basis) and subsequently measured at the lower of cost or estimated fair value. When real estate is classified as held-for-investment, it is recorded at fair value and in subsequent periods depreciated over its useful life using the straight line method, if applicable. Real estate is classified as real estate inventory when the property is under development for sale to customers and is measured at cost, including improvements, real estate taxes and interest capitalized during the construction period. Impairments required at the time of foreclosure are charged to the allowance for loan losses. Expenditures for capital improvements are generally capitalized. Valuation allowance adjustments are made to reflect any subsequent declines in fair values for real estate held-for-sale. The costs of holding real estate are charged to real estate operating expenses as incurred. Changes in the real estate valuation allowance are recorded as asset impairments, net in the Company’s Consolidated Statement of Operations and Comprehensive Income.

**Investments in Unconsolidated Real Estate Joint Ventures** - The Company uses the equity method of accounting to record its interests in entities in which it has significant influence but does not hold a controlling financial interest and to record its investment in VIEs 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 and 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.

The Company recognizes earnings or losses on certain equity method investments based on the hypothetical liquidation at book value (“HLBV”) method. Under the HLBV method, earnings or losses are recognized based on how an entity would allocate and distribute its cash if it were to sell all of its assets and settle its liabilities for their carrying amounts and liquidate at the reporting date. The HLBV method is used to calculate earnings or losses for equity method investments when the contractual cash disbursements are different than the investors’ equity interest.

Interest expense is capitalized by the Company on investments, advances, or loans to real estate equity method companies that began qualifying activities. Total capitalized interest expense cannot exceed interest expense incurred. Interest expense capitalization ceases when the investee completes its qualifying activities.

The Company reviews its equity and cost method investments on an ongoing basis for indicators of other-than-temporary impairment. This determination requires significant judgment in which the Company evaluates, among other factors, the fair market value of the investments, general market conditions, the duration and extent to which the fair value of the investment is less than cost, and the Company’s intent and ability to hold the investment until it



recovers. The Company also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, rating agency actions, changes in operations and financing cash flow factors. If a decline in the fair value of the investment is determined to be other-than-temporary, an impairment charge is recorded to reduce the investment to its fair value, and a new cost basis in the investment is established.

**Property and Equipment** - Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Depreciation is primarily computed on the straight-line method over the estimated useful lives of the assets which generally range up to 40 years for buildings and building improvements, from 3 to 14 years for office furniture and fixtures, and equipment, 5 years for transportation and equipment and from 3 to 14 years for leasehold improvements. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the terms of the related leases or the useful lives of the assets.

Expenditures for new property, leasehold improvements and equipment and major renewals and betterments are capitalized. Expenditures for maintenance and repairs are expensed as incurred, and gains or losses on disposal of assets are reflected in current operations.

The cost of software development for internal use is capitalized in accordance with the accounting guidance for costs of computer software developed or obtained for internal use. Capitalization of software developed for internal use commences during the development phase of the project and ends when the asset is ready for its intended use. Software developed or obtained for internal use is generally amortized on a straight-line basis over 3 to 5 years.

**Goodwill and Intangible Assets** – The Company recognizes goodwill upon the acquisition of a business when the fair values of the consideration transferred and any noncontrolling interests in the acquiree are in excess of the fair value of the acquiree’s identifiable net assets. The Company tests goodwill for potential impairment on an annual basis as of December 31 or during interim periods if impairment indicators exist. The Company first assesses qualitatively whether it is necessary to perform goodwill impairment testing. Impairment testing is performed when it is more-likely-than-not that the reporting unit’s goodwill fair value is less than its carrying amount. The Company evaluates the following factors in its qualitative assessment: macroeconomic conditions, market considerations, cost factors, financial performance and events affecting the reporting unit.

If the Company concluded from the qualitative assessment that further testing was required, as was the case for certain of the Company’s reporting units during the years ended December 31, 2016 and 2015, the Company performed the two-step goodwill impairment test. The first step of the goodwill impairment test was used to identify potential impairment and consisted of comparing the fair value of a reporting unit with its carrying value. If the fair value of the reporting unit exceeded its carrying value, goodwill was considered not impaired, and the second step of the impairment test was not performed. If the fair value of the reporting unit was less than the carrying value, the second step of the test was used to measure the amount of goodwill impairment, if any, in the reporting unit. This step compared the current implied goodwill in the reporting unit to its carrying amount. If the carrying amount of the goodwill exceeded the implied goodwill, an impairment was recorded for the excess. The implied goodwill was determined in the same manner as the amount of goodwill recognized in a business combination.

During the year ended December 31, 2017, the Company early adopted *Accounting Standards Update (“ASU”) No. 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new guidance removes the second step of the two-step goodwill impairment test described above. Instead, if a reporting unit’s carrying amount exceeds its fair value, the Company will record an impairment charge based on that difference. The impairment charge is limited to the amount of goodwill allocated to that reporting unit.

Intangible assets consist primarily of indefinite lived management contracts recognized upon the consolidation of Bluegreen during November 2009. The remaining balance in intangible assets consisted of trade names, customer relationships, non-competition agreements, area development contracts and lease premiums that were initially recorded at fair value at the acquisition date of a business and are amortized on a straight-line basis over their respective estimated useful lives.

Indefinite lived intangible assets are not amortized and are tested for impairment on at least an annual basis, or more frequently if events and circumstances indicate that it is more likely than not that the related carrying amounts may be impaired. The Company evaluates indefinite lived intangible assets for impairment by first qualitatively considering relevant events and circumstances to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value. If it is more-likely-than-not that the fair value of the indefinite-lived intangible asset is greater than its carrying value, the indefinite-lived intangible asset is not impaired. If the



Company concludes that further testing is required, the Company calculates the fair value of the indefinite-lived intangible asset and compares the fair value to the carrying value. If the fair value of the indefinite-lived intangible asset is less than the carrying value, an impairment is recognized for the difference.

Amortizable intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. The carrying amount of an intangible asset is not considered recoverable when the carrying amount exceeds the sum of the undiscounted cash flows expected to result from the use of the intangible asset. The impairment is measured as the amount by which the carrying amount of the intangible asset exceeds its fair value.

**Trade Receivables** – Trade receivables are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its trade receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company reviews its allowance for doubtful accounts on a quarterly basis. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all standard means of collection have been exhausted and the potential for recovery is considered remote. Trade receivables are included in other assets in the Company's Consolidated Statements of Financial Condition with an outstanding balance of \$16.0 million as of December 31, 2017 and 2016.

**Deferred Financing** – Deferred financing costs are comprised of costs incurred in connection with obtaining financing from third-party lenders and are presented in the Company's Consolidated Statement of Financial Condition as other assets or as a direct deduction from the carrying value of the associated debt liability. These costs are capitalized and amortized to interest expense over the terms of the related financing arrangements.

**Deferred Income** - Bluegreen defers the recognition of sales of VOIs, net of direct incremental selling expenses, for sales for which the legal rescission period has expired but the required revenue recognition criteria described above has not been met. Additionally, in connection with Bluegreen's sampler program, Bluegreen defers revenue, net of direct incremental selling expenses, for guest stays not yet completed. As of December 31, 2017 and 2016, Bluegreen's deferred income consisted of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>
Deferred sampler program income	\$ 10,056	\$ 11,821
Deferred VOI sales revenue	22,461	21,126
Other deferred income	3,794	4,068
Total	<u>\$ 36,311</u>	<u>\$ 37,015</u>

**Advertising** – The Company expenses advertising costs, which are primarily marketing costs, as incurred. Advertising expense totaled \$148.6 million, \$146.0 million and \$123.8 million for the years ended December 31, 2017, 2016 and 2015, respectively, and are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations and Comprehensive Income.

Bluegreen has entered into marketing arrangements with various third parties. For the years ended December 31, 2017, 2016 and 2015, sales of VOIs to prospects and leads generated by Bass Pro accounted for approximately 15%, 16% and 20%, respectively, of total VOI sales volume. There can be no guarantee that Bluegreen will be able to maintain this agreement in accordance with its terms or extend or renew these agreements on similar terms, or at all.

**Income Taxes** – The Company and its subsidiaries in which it owns 80% or more of the subsidiary's outstanding equity file a consolidated U.S. Federal and Florida income tax return. Other than Florida, the Company and its subsidiaries file separate state income tax returns for each jurisdiction. Subsidiaries in which the Company owns less than 80% of the outstanding equity are not included in the Company's consolidated U.S. Federal or Florida state income tax return. For years prior to December 31, 2015, BCC and Bluegreen filed separate tax returns with the Internal Revenue Service as the Company owned less than 80% of the outstanding equity of these subsidiaries. As a result of the Company's purchase of additional shares of BCC's Class A Common Stock in the above-described April 2015 cash tender offer and the related increase in the Company's ownership interest in BCC, the Company files a



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consolidated group tax return which includes the operations of BCC, Woodbridge and Bluegreen for the years ended December 31, 2017, 2016 and 2015.

The provision for income taxes is based on income before taxes reported for financial statement purposes after adjustment for transactions that do not have tax consequences. Deferred tax assets and liabilities are realized according to the estimated future tax consequences attributable to differences between the carrying value of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates as of the date of the Statement of Financial Condition. The effect of a change in tax rates on deferred tax assets and liabilities is reflected in the period that includes the statutory enactment date. A deferred tax asset valuation allowance is recorded when it has been determined that it is more likely than not that deferred tax assets will not be realized. If a valuation allowance is recorded, a subsequent change in circumstances that causes a change in judgment about the realization of the related deferred tax amount could result in the reversal of the deferred tax valuation allowance.

An uncertain tax position is defined as a position taken or expected to be taken in a tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The Company may recognize the tax benefit from an uncertain tax position only if it believes that it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes.

**Noncontrolling Interests** – Noncontrolling interests reflect third parties' ownership interests in entities that are consolidated in the Company's financial statements, but less than 100% owned by the Company. A noncontrolling interest is recognized as equity in the Statement of Financial Condition and itemized separately from the equity attributable to BBX Capital's shareholders, while a noncontrolling interest that is redeemable for cash at the holder's option or upon a contingent event outside of the Company's control is classified as redeemable noncontrolling interests and presented in the mezzanine section between total liabilities and equity in the Statement of Financial Condition. A change in the ownership interests in a subsidiary is accounted for as an equity transaction if the Company retains its controlling financial interest in the subsidiary.

The amounts of consolidated net income and comprehensive income attributable to BBX Capital's shareholders and to noncontrolling interests are presented in the Company's Consolidated Statement of Operations and Comprehensive Income.

**Accounting for Loss Contingencies** – Loss contingencies, including those arising from legal actions, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

**Earnings Per Share** - Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed in the same manner as basic earnings per share but also reflects potential dilution that could occur if options to acquire common shares or restricted stock awards of the Company were exercised or vest. Common stock options and restricted stock awards, if dilutive, are considered in the weighted average number of dilutive common shares outstanding based on the treasury stock method. Diluted earnings per share also takes into consideration the potential dilution from securities issued by subsidiaries that enable their holders to obtain the subsidiary's common stock. The resulting net income amount is divided by the weighted average number of dilutive common shares outstanding.

**Stock-Based Compensation** – Compensation cost for non-vested restricted stock awards is based on the fair value of the award on the measurement date, which is generally the grant date. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally four years for non-vested restricted stock awards. The fair value of non-vested restricted stock awards is generally the market price of the Company's common stock on the grant date.

#### **Recently Adopted Accounting Pronouncements**

The Financial Accounting Standards Board ("FASB") has issued the following accounting pronouncements and guidance relevant to the Company's operations which have been adopted as of December 31, 2017:

*ASU No. 2016-18, Statement of Cash Flows, Restricted Cash (Topic 230)*. This update requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. The amount of restricted cash should be included with cash and cash equivalents when reconciling the beginning of the period and



the end of period cash as shown on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Company elected to early adopt the standard using the retrospective transition method to each period presented in the accompanying consolidated financial statements. The Company's adoption of ASU 2016-18 did not have a material impact on the Company's consolidated financial statements.

*ASU No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. (Topic 230)* - This update provides guidance on the classification of certain cash receipts and payments with the objective of reducing the existing diversity in current practice. The Company elected to early adopt the standard using the retrospective transition method to each period presented in the accompanying consolidated financial statements. The Company's adoption of ASU 2016-15 did not have a material impact on the Company's consolidated financial statements.

*ASU No. 2017-04, Intangibles- Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment.* This update eliminates the second step of the goodwill impairment test under current guidance. As a result, the annual or interim goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the reporting unit. The guidance is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Company elected to early adopt the standard effective for the Company's goodwill impairment tests performed on December 31, 2017. This statement was adopted on a prospective basis.

*ASU No. 2016-09, Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-based Payment Accounting.* This update requires the recognition of excess tax benefits ("windfall") and tax deficiencies in the income statement when the stock awards vest or are settled, thus eliminating additional paid in capital pools. The new standard also removes the requirement to delay recognition of windfall tax benefits until it reduces current taxes payable. The new standard instead requires the recognition of windfall tax benefits at the time of settlement, subject to valuation allowance considerations. The new standard clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the Company's statement of cash flows and cash flows related to windfall tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows which are classified as operating activities. The new standard provides an accounting policy election to account for forfeitures as they occur instead of on an estimated basis and allows for the employer to repurchase more of an employee's shares for tax withholding purposes up to the maximum statutory rate in the employee's applicable jurisdictions without triggering liability accounting. The new standard changes the computation of diluted earnings per share as windfall tax benefits will not be included in the calculation of assumed proceeds when applying the treasury stock method.

The Company adopted the standard on January 1, 2017. The primary impact of the adoption of this standard on the Company's consolidated financial statements was the recognition of a \$3.1 million windfall tax benefit as a cumulative effect to accumulated earnings associated with windfall tax benefits that were not previously recognized because the related tax deduction had not reduced current taxes payable.

Upon adoption of the new standard, the Company made an accounting policy election to recognize forfeitures as they occur. The presentation requirement for cash flows related to employee taxes paid for withheld shares had no impact to operating cash flows on any of the periods presented in the Company's consolidated cash flows statements since these cash flows have historically been presented as a financing activity.

#### ***Future Adoption of Recently Issued Accounting Pronouncements***

The FASB has issued the following accounting pronouncements and guidance relevant to the Company's operations which have not been adopted as of December 31, 2017:

*ASU No. 2014-09 – Revenue Recognition (Topic 606):* In May 2014, the FASB issued a new standard related to revenue recognition (as subsequently clarified and amended by various ASUs). Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at



the date of initial application (modified retrospective method). The Company adopted the standard on January 1, 2018 under the full retrospective method and accordingly will retrospectively adjust each prior reporting period presented in subsequent filings to the new standard.

In preparation for adoption of the standard, the Company analyzed the potential impact that adopting this standard will have on its consolidated financial statements and related disclosures and its business processes, accounting policies and controls and reached conclusions on key accounting assessments related to the standard in subsequent filings.

The adoption of the standard will impact Bluegreen in the following areas: (i) gross versus net presentation for payroll and insurance premium reimbursements related to resorts managed by Bluegreen and on behalf of third parties and (ii) the timing of the recognition of VOI revenue related to the removal of certain bright line tests regarding the determination of the adequacy of the buyer's commitment under existing industry-specific guidance. In addition, Bluegreen concluded that the recognition of fee-based sales commission revenue, ancillary revenues, and rental revenues will remain materially unchanged.

The adoption of the standard will impact the Company's real estate activities as revenue will be recognized sooner for contingent consideration on sales of real estate inventory.

The adoption of the standard will not materially affect revenue recognition associated with the Company's trade sales. Retail trade sales performance obligations are generally satisfied at the time of the sales transaction as customers of the retail business typically pay in cash at the time of transfer of the promised goods, while wholesale trade sales performance obligations are generally satisfied when the promised goods are shipped by the Company or received by the customer. However, the adoption of the standard will impact the classification of certain marketing concessions provided to customers of Renin and BBX Sweet Holdings as the marketing concessions are required to be reflected as a reduction of revenue instead of a selling, general and administrative expense. Additionally, the Company has historically recognized shipping and handling costs in selling, general and administration expenses, and upon the adoption of the standard, the Company will account for such costs as a fulfillment cost and include such costs in cost of trade sales.

See Expected Impacts to Reported Results below for the impact of adoption of the standard on the Company's consolidated financial statements.

*ASU No. 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)*. This update provides guidance on the recognition of revenues for the transfer of nonfinancial assets to non-customers. The standard indicates that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a non-customer or counterparty and derecognize each asset when the counterparty obtains control of the asset. This update supersedes the guidance in Topic 845 and eliminates partial sale accounting for the transfer of real estate to joint ventures.

The Company adopted the standard on January 1, 2018 under the full retrospective method and accordingly will retrospectively adjust each prior reporting period presented in subsequent filings to the new standard.

The standard significantly changes the guidance on the transfer of real estate to unconsolidated joint ventures. Under prior guidance, the transfer of real estate to a joint venture was accounted for as a partial sale, resulting in the recognition of a partial gain, and the noncontrolling interest retained was measured at historical cost, resulting in a basis adjustment to the seller's investment in the joint venture. In addition, the partial gain could be deferred if the sale did not satisfy certain criteria for gain recognition. Under the new statement, the full gain is recognized upon the transfer of control in the real estate to the unconsolidated joint venture, and any noncontrolling interest retained is measured at fair value.

In certain unconsolidated real estate joint ventures, the Company accounted for the transfer of land to such ventures for initial capital contributions as partial sales, resulting in deferred gains and joint venture basis adjustments. The adoption of the standard will result in the recognition of deferred gains and joint venture basis adjustments of \$3.2 million and \$7.4 million, respectively, in accumulated earnings as a cumulative effect as of January 1, 2016 upon adoption of the standard. As a result of the cumulative effect adjustment, net gains on sales of assets will be reduced by \$0.5 million and \$2.3 million, respectively, for the years ended December 31, 2017 and 2016, and equity in earnings from unconsolidated joint ventures will be reduced by \$1.9 million and \$1.5 million, respectively, for the years ended December 31, 2017 and 2016.



Expected Impacts to Reported Results

The retrospective adjustments to the Company's Statement of Financial Condition as of December 31, 2017 and 2016 and the Company's Statements of Operations for the years ended December 31, 2017 and 2016 due to the adoption of these new accounting standards are as follows (dollars in thousands, except per share data):

<b>As of and for the Year ended December 31, 2017</b>				
	<b>As Reported Herein</b>	<b>ASU 2014- 09 Adjustments</b>	<b>ASU 2017- 05 Adjustments</b>	<b>As Adjusted</b>
<b>Statement of Financial Condition</b>				
Notes receivable, net	\$ 431,801	(4,507)	—	427,294
Investment in unconsolidated real estate joint ventures	47,275	—	3,959	51,234
Property and equipment, net	112,858	(929)	—	111,929
Other assets	102,370	929	—	103,299
Other liabilities	103,926	—	(462)	103,464
Deferred income	36,311	(19,418)	—	16,893
Deferred income taxes	43,093	3,647	1,120	47,860
Total equity	\$ 653,501	11,264	3,301	668,066
<b>Statement of Operations</b>				
Sales of VOIs	\$ 239,662	12,633	—	252,295
Reimbursement revenue	—	52,639	—	52,639
Cost of reimbursement	—	52,639	—	52,639
Cost of VOIs sold	17,439	240	—	17,679
Trade sales	142,798	(713)	—	142,085
Net gains on sales of assets	2,442	—	(493)	1,949
Cost of trade sales	97,755	8,163	—	105,918
Selling, general and administrative expenses	538,125	(8,423)	—	529,702
Equity in earnings of unconsolidated real estate joint ventures	14,483	—	(1,942)	12,541
Income before income taxes	93,374	11,940	(2,435)	102,879
Benefit (provision) for income taxes	7,223	(2,464)	1,525	6,284
Net income	100,597	9,476	(910)	109,163
Less: Net income attributable to non-controlling interest	18,402	463	—	18,865
Net income attributable to Shareholders	\$ 82,195	9,013	(910)	90,298
Basic earnings per share	\$ 0.83			0.91
Diluted earnings per share	\$ 0.79			0.87



<b>As of and for the Year ended December 31, 2016</b>				
	<b>As Reported Herein</b>	<b>ASU 2014- 09 Adjustments</b>	<b>ASU 2017- 05 Adjustments</b>	<b>As Adjusted</b>
<b>Statement of Financial Condition</b>				
Notes receivable, net	\$ 430,480	(4,600)	—	425,880
Investment in unconsolidated real estate joint ventures	43,491	—	5,901	49,392
Property and equipment, net	95,998	(590)	—	95,408
Other assets	104,812	590	—	105,402
Other liabilities	95,611	—	(956)	94,655
Deferred income	37,015	(17,493)	—	19,522
Deferred income taxes	44,318	4,734	2,645	51,697
Total equity	\$ 495,454	8,160	4,212	507,826
<b>Statement of Operations</b>				
Sales of VOIs	\$ 266,142	14,781	—	280,923
Reimbursement revenue	—	49,557	—	49,557
Cost of reimbursement	—	49,557	—	49,557
Cost of VOIs sold	27,346	1,483	—	28,829
Trade sales	95,996	(157)	—	95,839
Net gains on sales of assets	6,076	—	(2,274)	3,802
Cost of trade sales	74,341	6,022	—	80,363
Selling, general and administrative expenses	516,757	(4,607)	—	512,150
Equity in earnings of unconsolidated real estate joint ventures	13,630	—	(1,452)	12,178
Income before income taxes	78,036	11,726	(3,726)	86,036
Provision for income taxes	(36,379)	4,276	1,437	(30,666)
Net income	41,657	7,450	(2,289)	46,818
Less: Net income attributable to non-controlling interest	13,295	401	(429)	13,267
Net income attributable to Shareholders	\$ 28,362	7,049	(1,860)	33,551
Basic earnings per share	\$ 0.33			0.39
Diluted earnings per share	\$ 0.32			0.38

The cumulative effect impact of adopting the new revenue standard and ASU 2017-05 was to increase accumulated earnings from the amount originally reported as of January 1, 2016 of \$232.1 million to \$243.9 million, an adjustment of \$11.8 million.

The adoption of the new standards had no impact to each prior period statement of cash flows.

*ASU No. 2016-02 – Leases (Topic 842)*. This standard will require assets and liabilities to be recognized on the balance sheet of a lessee for the rights and obligations created by leases of assets with terms of more than 12 months. For income statement purposes, the update retained a dual model, requiring leases to be classified as either operating or finance based on largely similar criteria to those applied in current lease accounting, but without explicit bright lines. This standard also requires extensive quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing leases. This standard will be effective for the Company on January 1, 2019. Early adoption is permitted. The Company expects that the implementation of this new standard will have a material impact on its consolidated financial statements and related disclosures as the Company has aggregate future minimum lease payments of \$159.3 million at December 31, 2017 under its current non-cancelable lease agreements with various expirations dates between 2018 and 2030. The Company anticipates the recognition of additional assets and corresponding liabilities related to these leases on its consolidated statement of financial condition.

The Company is currently compiling a listing of contracts that meet the statement's definition of a lease and is reviewing the functionality of its systems to prepare for the adoption of this statement.

The Company will be required to recognize and measure leases at the beginning of the earliest period presented using the modified retrospective approach. The Company is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements.

*ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.* This standard introduces an approach of estimating credit losses on certain types of financial instruments based on expected losses. The standard also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and credit losses. In addition, the standard requires entities to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year). This standard will be effective for the Company on January 1, 2020. Early adoption is permitted beginning on January 1, 2019. The Company is currently evaluating the impact that ASU 2016-13 may have on its consolidated financial statements.

*ASU No. 2017-09, Compensation – Stock Compensation (Topic 718).* This update was issued to provide guidance on determining which changes to the terms and conditions of share-based compensation awards require an entity to apply modification accounting under Topic 718. An entity should apply modification accounting to changes to terms or conditions of a share-based compensation award unless there is no change in the fair value, vesting or classification of the modified award as compared to the original award. The standard is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted this standard on January 1, 2018. The adoption of this statement did not have a material impact on the Company's consolidated financial statements.

*ASU No. 2017-01, Business Combinations - Clarifying the Definition of a Business.* This update affects the determination of whether a company has acquired or sold a business. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill and consolidations, and the standard will help entities determine whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is expected to result in more acquisitions being accounted for as asset purchases instead of business combinations. The guidance will be effective for fiscal years beginning after December 15, 2017. The Company adopted this standard on January 1, 2018 using the prospective transition method. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

*ASU No. 2016-01 — Financial Instruments – Overall (Topic 825) – Recognition and Measurement of Financial Assets and Financial Liabilities.* This update requires all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) to generally be measured at fair value through earnings. The update eliminates the available-for-sale classification for equity securities with readily determinable fair values and the cost method for equity investments without readily determinable fair values. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment. This update also simplifies the impairment assessment for equity investments and requires the use of an exit price when measuring the fair value of financial instruments for disclosure purposes. The amendments in this statement are effective for fiscal years beginning after December 15, 2017. The Company adopted this statement on January 1, 2018 and recognized a cumulative effect adjustment of \$0.4 million to accumulated earnings as of January 1, 2018 for equity securities with readily determinable fair values. The statement was adopted prospectively for \$2.4 million of equity securities without readily determinable fair values. The adoption of this statement did not have a material impact on the Company's consolidated financial statements.

### **3. Acquisitions and Mergers**

#### ***Acquisition of IT'SUGAR***

On June 16, 2017, a wholly-owned subsidiary of BBX Sweet Holdings acquired IT'SUGAR, a specialty candy retailer with 95 retail locations in 26 states and Washington, DC, through the acquisition of all of its Class A Preferred Units and 90.4% of its Class B Common Units for cash consideration of approximately \$58.4 million, net of cash acquired. The remaining 9.6% of IT'SUGAR's Class B Common Units are owned by JR Sugar Holdings, LLC ("JR Sugar"), an entity owned by the founder and CEO of IT'SUGAR.

The consolidated net assets and results of operations of IT'SUGAR are included in the Company's consolidated financial statements commencing on June 16, 2017 and resulted in the following impact to trade sales and net income attributable to shareholders from the acquisition date to December 31, 2017 (in thousands):

	<b>June 16, 2017 to December 31, 2017</b>	
Trade sales	\$	<u>46,772</u>
Income before income taxes	\$	<u>2,598</u>

#### *Purchase Price Allocation*

The Company accounted for the acquisition of IT'SUGAR using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values at the acquisition date. The following table summarizes the purchase price allocation based on the Company's valuation, including the fair values of the assets acquired, liabilities assumed, and the redeemable noncontrolling interest in IT'SUGAR at the acquisition date (in thousands):

Property and equipment	\$ 18,747
Cash, inventory and other assets	12,212
Identifiable intangible assets <sup>(1)</sup>	<u>4,512</u>
Total assets acquired	<u>35,471</u>
Accounts payable and other liabilities	(5,370)
Identifiable intangible liabilities <sup>(2)</sup>	<u>(716)</u>
Total liabilities assumed	<u>(6,086)</u>
Fair value of identifiable net assets	29,385
Redeemable noncontrolling interest	(2,490)
Goodwill	<u>35,164</u>
Purchase consideration	62,059
Less: cash acquired	<u>(3,641)</u>
Cash paid for acquisition less cash acquired	<u>\$ 58,418</u>
Acquisition-related costs included in selling, general and administrative expenses	<u>\$ 2,963</u>

(1) Identifiable intangible assets were comprised of \$4.2 million, \$0.2 million and \$0.1 million associated with IT'SUGAR's trademark, favorable operating lease agreements, and a noncompetition agreement, respectively.

(2) Identifiable intangible liabilities were comprised of unfavorable operating lease agreements.

The fair values reported in the above table have been estimated by the Company using available market information and appropriate valuation methods. As considerable judgment is involved in estimates of fair value, the fair values presented above are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value amounts.

The following summarizes the Company's methodologies for estimating the fair values of certain assets and liabilities associated with IT'SUGAR:

#### *Property and Equipment*

Property and equipment acquired consisted primarily of leasehold improvements at IT'SUGAR's retail stores. The fair value of the leasehold improvements and other equipment was estimated based on the replacement cost approach.

#### *Identifiable Intangible Assets and Liabilities*

The identifiable intangible assets acquired primarily consisted of the fair value of IT'SUGAR's trademark, which was estimated using the relief-from-royalty method, a form of the income approach. Under this approach, the fair value was estimated by calculating the present value using a risk-adjusted discount rate of the expected future royalty payments that would have to be paid if the IT'SUGAR trademark was not owned.

The identifiable intangible assets and liabilities also included the fair value of IT'SUGAR's operating lease agreements associated with its retail stores. The fair value of these assets and liabilities were estimated by calculating the present value using a risk-adjusted discount rate of the difference between the contractual amounts to be paid pursuant to the lease agreements and the estimate of market lease rates at the acquisition date.

The \$4.2 million trademark intangible asset is amortized over 15 years, and the \$0.2 million of favorable lease agreements and the \$0.7 million of unfavorable lease agreements are amortized over a weighted average period of 6.5 years. The noncompetition agreement is amortized over five years.

#### *Goodwill*

The goodwill recognized in connection with the acquisition reflects the difference between the estimated fair value of the net assets acquired and the Company's consideration paid to acquire IT'SUGAR. The goodwill recognized in the acquisition is deductible for income tax purposes.

#### *Pro Forma Information (unaudited)*

The following unaudited pro forma financial data presents the Company's revenues and earnings for the years ended December 31, 2017 and 2016 as if the acquisition was completed on January 1, 2016 (in thousands):

	<b>Pro Forma</b>		<b>Actual</b>	
	<b>For the Years Ended</b>		<b>For the Years Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Trade sales	\$ 179,356	172,769	142,798	95,996
Income before income taxes	\$ 94,046	73,644	93,374	78,036
Net income <sup>(1)</sup>	\$ 100,997	38,965	100,597	41,657
Net income attributable to shareholders <sup>(1)</sup>	\$ 82,626	26,068	82,195	28,362

(1) The pro forma net income and net income attributable to shareholders for the year ended December 31, 2017 were adjusted to exclude \$3.0 million of acquisition-related costs.

The unaudited pro forma financial data reported in the above table does not purport to represent what the actual results of the Company's operations would have been assuming that the acquisition date was January 1, 2016, nor does it purport to predict the Company's results of operations for future periods.

#### *Noncontrolling Interest*

Under the terms of IT'SUGAR's operating agreement, JR Sugar may require the Company to purchase for cash its IT'SUGAR Class B Common Units upon the occurrence of certain events, including events relating to the employment agreement between BBX Sweet Holdings and the CEO of IT'SUGAR, as described below. The purchase price payable by the Company for such Class B Common Units will be determined based on the circumstance giving rise to such purchase obligation in accordance with prescribed formulas set forth in IT'SUGAR's operating agreement. In addition, commencing on the seventh anniversary of the acquisition date, the Company shall have the right, but not the obligation, to require JR Sugar to sell its Class B Common Units to the Company in accordance with a prescribed formula set forth in IT'SUGAR's operating agreement.

As a result of the redemption features, JR Sugar's Class B Common Units are considered redeemable noncontrolling interests and reflected in the mezzanine section as a separate line item in the Company's Consolidated Statement of Financial Condition as of December 31, 2017. As the noncontrolling interests are not currently subject to redemption but are probable of becoming redeemable in a future period, the Company will measure the noncontrolling interests by accreting changes in the estimated purchase price from the acquisition date to the earliest redemption date and may adjust the carrying amount of such interests to equal the calculated value in the event it is in excess of the carrying amount at such time.

### *Employment and Loan Agreements*

In connection with the acquisition of IT'SUGAR, BBX Sweet Holdings entered into an employment agreement with the founder and CEO of IT'SUGAR for his continued services as CEO of IT'SUGAR. Upon the occurrence of certain events constituting a breach of the employment agreement by the CEO resulting in his termination, the Company may exercise its ability to purchase JR Sugar's Class B Common Units for cash for an amount equal to the lesser of the fair market value of such units determined in accordance with the prescribed formula set forth in IT'SUGAR's operating agreement and the initial value ascribed to such units at the acquisition date. Similarly, upon the occurrence of certain "not for cause" termination events associated with the termination of the CEO's employment, JR Sugar may require the Company to purchase its Class B Common Units for cash for an amount equal to the greater of the fair market value of such units determined in accordance with the prescribed formula set forth in IT'SUGAR's operating agreement and the initial value ascribed to such units at the acquisition date.

Concurrent with the acquisition, JR Sugar borrowed \$2.0 million from BBX Sweet Holdings in the form of two promissory notes, as partial consideration for the purchase of its 9.6% ownership of IT'SUGAR's Class B Common Units. The notes mature on June 16, 2024, and a portion of the aggregate principal balance and accrued interest of such notes may be forgiven on an annual basis provided that IT'SUGAR's CEO continues to remain employed with BBX Sweet Holdings pursuant to his employment agreement. The notes receivable are presented as a deduction from the balance of the related Class B Common Units included in redeemable noncontrolling interests in the Consolidated Statement of Financial Condition as of December 31, 2017.

### *Merger of BCC*

On December 15, 2016, the Company acquired all of the outstanding shares of BCC not previously owned by the Company. Pursuant to the terms of the Agreement and Plan of Merger, dated as of July 27, 2016, as amended on October 20, 2016, between BBX Capital, a wholly-owned subsidiary of BBX Capital ("Merger Sub"), and BCC (the "Merger Agreement"), BCC merged with and into Merger Sub and BCC is now a wholly owned subsidiary of BBX Capital.

Pursuant to the terms of the Merger Agreement, each share of BCC's Class A Common Stock outstanding immediately prior to December 15, 2016 (other than shares held by the Company and shares as to which appraisal rights were exercised in accordance with Florida law) was converted into the right to receive, at the election of the holder thereof, either (i) \$20.00 in cash, without interest (the "Cash Consideration"), or (ii) 5.4 shares of the Company's Class A Common Stock (the "Stock Consideration" and, collectively with the Cash Consideration, the "Merger Consideration"). Shares of BCC's Class A Common Stock which were converted into the right to receive Merger Consideration but as to which no election was made were converted into the right to receive Cash Consideration. Based on the foregoing, the Company paid to BCC's shareholders a total of approximately \$16.9 million of Cash Consideration and issued to BCC's shareholders a total of approximately 12.0 million shares of the Company's Class A Common Stock as Stock Consideration.

The merger was accounted for as an equity transaction as the Company increased its ownership interest in BCC and retained its controlling financial interest. The Company held an approximately 82% equity interest in BCC prior to the Merger and, as a result of the Merger, the Company owns 100% of BCC. Accounting for the merger as an equity transaction resulted in no gain or loss being recognized in the Company's Consolidated Statements of Operations and Comprehensive Income and the difference between the consideration paid and the amount of noncontrolling interest was recognized in additional paid-in capital.

Pursuant to the terms of the Merger Agreement, effective upon consummation of the Merger on December 15, 2016, the Company adopted and assumed BCC's 2014 Stock Incentive Plan, as amended, and BCC's 2005 Restricted Stock and Option Plan, as amended (collectively, the "BCC Capital Equity Plans"). Options and restricted stock awards granted under the BCC Equity Plans and outstanding at December 15, 2016, including those held by the Company's executive officers, other employees, and directors, were converted into BBX Capital's options or restricted stock awards, as the case may be. As a result, 5,090,354 restricted shares of BBX Capital's Class A Common Stock awards were issued in exchange for 942,657 restricted shares of BCC's Class A Common Stock awards outstanding as of December 15, 2016 and BCC options to acquire 6,614 of BCC Class A Common Stock were exchanged for options to acquire 35,716 shares of the Company's Class A Common Stock pursuant to the terms of the Merger Agreement as of December 31, 2016.

#### 4. Consolidated Variable Interest Entities

Bluegreen sells VOI notes receivable through special purpose finance entities. These transactions are generally structured as non-recourse to Bluegreen and are designed to provide liquidity for Bluegreen and to transfer the economic risks and benefits of the notes receivable to third parties. In a securitization, various classes of debt securities are issued by the special purpose finance entities that are generally collateralized by a single tranche of transferred assets, which consist of VOI notes receivable. Bluegreen services the securitized notes receivable for a fee pursuant to servicing agreements negotiated with third parties based on market conditions at the time of the securitization.

In these securitizations, Bluegreen generally retains a portion of the securities and continues to service the securitized notes receivable. Under these arrangements, the cash payments received from obligors on the receivables sold are generally applied monthly to pay fees to service providers, make interest and principal payments to investors, and fund required reserves, if any, with the remaining balance of such cash retained by Bluegreen; however, to the extent the portfolio of receivables fails to satisfy specified performance criteria (as may occur due to, among other things, an increase in default rates or credit loss severity) or other trigger events occur, the funds received from obligors are required to be distributed on an accelerated basis to investors. Depending on the circumstances and the transaction, the application of the accelerated payment formula may be permanent or temporary until the trigger event is cured. As of December 31, 2017, Bluegreen was in compliance with all applicable terms under its securitization transactions, and no trigger events had occurred.

In accordance with applicable accounting guidance for the consolidation of VIEs, Bluegreen analyzes its variable interests, which may consist of loans, servicing rights, guarantees, and equity investments, to determine if an entity in which Bluegreen has a variable interest is a VIE. The analysis includes a review of both quantitative and qualitative factors. Bluegreen bases its quantitative analysis on the forecasted cash flows of the entity, and bases its qualitative analysis on the structure of the entity, including its decision-making ability and authority with respect to the entity, and relevant financial agreements. Bluegreen also uses its qualitative analysis to determine if Bluegreen must consolidate a VIE as the primary beneficiary. In accordance with applicable accounting guidance, Bluegreen has determined these securitization entities to be VIEs of which Bluegreen is primary beneficiary and, therefore, Bluegreen consolidates the entities into its financial statements.

Under the terms of certain VOI note sales, Bluegreen has the right to repurchase or substitute a limited amount of defaulted notes for new notes at the outstanding principal balance plus accrued interest. Voluntary repurchases and substitutions by Bluegreen of defaulted notes during 2017, 2016 and 2015 were \$9.5 million, \$6.5 million and \$3.3 million, respectively. Bluegreen's maximum exposure to loss relating to its non-recourse securitization entities is the difference between the outstanding VOI notes receivable and the notes payable, plus cash reserves and any additional residual interest in future cash flows from collateral.

Information related to the assets and liabilities of Bluegreen's consolidated VIEs included in the Company's Consolidated Statements of Financial Condition is set forth below (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Restricted cash	\$ 19,488	21,894
Securitized notes receivable, net	282,599	287,012
Receivable backed notes payable - non-recourse	336,421	327,358

The restricted cash and securitized notes receivable balances disclosed in the table above are restricted to satisfy obligations of the VIEs.

## 5. Loans Receivable

Loans receivable consisted of the following components (in thousands):

	December 31,	
	2017	2016
Commercial non-real estate	\$ 789	1,169
Commercial real estate	4,615	5,880
Small business	1,585	2,506
Consumer	787	1,799
Residential	11,678	14,167
<b>Total loans receivable</b>	<b>\$ 19,454</b>	<b>25,521</b>

The underlying collateral for the real estate loan portfolio, except residential loans, was located primarily in Florida at December 31, 2017. As of December 31, 2017, 27%, 33% and 13% of the residential loan portfolio underlying collateral was located in California, New York and Florida, respectively.

As of December 31, 2017, foreclosure proceedings were in process on \$8.0 million of residential loans and \$0.1 million of consumer loans.

The total discount on loans receivable was \$2.3 million and \$3.3 million as of December 31, 2017 and 2016, respectively.

The loan portfolio is segregated into five segments: commercial non-real estate loans, commercial real estate loans, small business loans, consumer loans, and residential loans described below:

**Commercial non-real estate** - represents loans secured by general corporate assets of the borrowers' business.

**Commercial real estate** - represents loans for acquisition, development and construction of various types of properties.

**Small business** - consists of loans originated to businesses in principal amounts that do not generally exceed \$2.0 million. The principal source of repayment for these loans is generally from the cash flow of a business.

**Consumer** - consists of loans to individuals originated through BankAtlantic's branch network. Consumer loans are generally home equity lines of credit secured by a second mortgage on the primary residence of the borrower.

**Residential** - represents loans secured by one to four dwelling units.

### **Credit Quality Information**

The Company assesses loan credit quality by monitoring delinquencies and current loan to value ratios.

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

<b>Loan Class</b>	December 31,	
	2017	2016
Commercial non-real estate	\$ 789	1,169
Commercial real estate	4,615	5,880
Small business	1,585	2,506
Consumer	715	1,701
Residential	10,355	12,762
<b>Total nonaccrual loans</b>	<b>\$ 18,059</b>	<b>24,018</b>

An age analysis of the past due recorded investment in loans receivable as of December 31, 2017 and 2016 was as follows (in thousands):

	31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Total Loans	
					Current	Receivable
<b>December 31, 2017</b>						
Commercial non-real estate	\$ -	-	789	789	-	789
Commercial real estate	-	-	2,996	2,996	1,619	4,615
Small business	-	-	-	-	1,585	1,585
Consumer	25	168	291	484	303	787
Residential	297	21	7,995	8,313	3,365	11,678
<b>Total</b>	<b>\$ 322</b>	<b>189</b>	<b>12,071</b>	<b>12,582</b>	<b>6,872</b>	<b>19,454</b>

	31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Total Loans	
					Current	Receivable
<b>December 31, 2016</b>						
Commercial non-real estate	\$ -	-	330	330	839	1,169
Commercial real estate	-	-	3,986	3,986	1,894	5,880
Small business	-	-	-	-	2,506	2,506
Consumer	23	-	467	490	1,309	1,799
Residential	609	231	9,541	10,381	3,786	14,167
<b>Total</b>	<b>\$ 632</b>	<b>231</b>	<b>14,324</b>	<b>15,187</b>	<b>10,334</b>	<b>25,521</b>

- 1) There were no loans that were 90 days or more past due and still accruing interest as of December 31, 2017 or 2016.

The activity in the allowance for loan losses for the years ended December 31, 2017, 2016 and 2015 was as follows (in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
<b>Allowance for Loan Losses:</b>			
Beginning balance	\$ -	-	977
Charge-offs	(137)	(156)	(1,037)
Recoveries	7,632	20,664	13,517
Provision	(7,495)	(20,508)	(13,457)
Ending balance	\$ -	-	-
Ending balance individually evaluated for impairment	\$ -	-	-
Ending balance collectively evaluated for impairment	-	-	-
Total	\$ -	-	-
<b>Loans receivable:</b>			
Ending balance individually evaluated for impairment	\$ 16,728	21,363	12,849
Ending balance collectively evaluated for impairment	2,726	4,158	21,186
<b>Total</b>	<b>\$ 19,454</b>	<b>25,521</b>	<b>34,035</b>
<b>Proceeds from loan sales</b>	<b>\$ 1,666</b>	<b>-</b>	<b>68</b>
<b>Transfer to loans held-for-sale</b>	<b>\$ 1,029</b>	<b>-</b>	<b>-</b>
<b>Transfer from loans held-for-sale</b>	<b>\$ -</b>	<b>16,078</b>	<b>7,365</b>

### **Impaired Loans**

Loans are considered impaired when, based on current information and events, management believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impairment is evaluated based on past due status for consumer and residential loans. Impairment is evaluated for commercial and small business loans based on payment history and cash flow associated with the collateral or business. Collateral



dependent impaired loans are charged down to the fair value of collateral less cost to sell. Interest payments on impaired loans are recognized on a cash basis as interest income. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Individually impaired loans as of December 31, 2017 and 2016 were as follows (in thousands):

	<u>As of December 31, 2017</u>			<u>As of December 31, 2016</u>		
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
Total with allowance recorded \$	-	-	-	-	-	-
Total with no allowance recorded	18,667	30,321	-	24,188	39,901	-
<b>Total</b>	<b>\$ 18,667</b>	<b>30,321</b>	<b>-</b>	<b>24,188</b>	<b>39,901</b>	<b>-</b>

Average recorded investment and interest income recognized on impaired loans for the years ended December 31, 2017 and 2016 were as follows (in thousands):

	<u>For the Years Ended December 31,</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Total with allowance recorded \$	-	-	-	-
Total with no allowance recorded	20,686	647	24,573	657
<b>Total</b>	<b>\$ 20,686</b>	<b>647</b>	<b>24,573</b>	<b>657</b>

Individually impaired loans and the average recorded investment and interest income recognized on impaired loans as of December 31, 2015 were as follows (in thousands):

	<u>As of December 31, 2015</u>			<u>For the Year Ended December 31, 2015</u>	
	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income</u>
Total with allowance recorded \$	-	-	-	-	-
Total with no allowance recorded	17,380	30,212	-	22,186	1,299
<b>Total</b>	<b>\$ 17,380</b>	<b>30,212</b>	<b>-</b>	<b>22,186</b>	<b>1,299</b>

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

There were no commitments to lend additional funds on impaired loans as of December 31, 2017.

## 6. Notes Receivable

The table below provides information relating to Bluegreen's notes receivable and related allowance for credit losses as of December 31, 2017 and 2016 (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Notes receivable:</b>		
VOI notes receivable - non-securitized	\$ 184,971	175,123
VOI notes receivable - securitized	364,349	369,259
Notes receivable secured by homesites <sup>(1)</sup>	1,329	1,688
<b>Gross notes receivable</b>	<b>550,649</b>	<b>546,070</b>
Allowance for credit losses - non-securitized	(37,098)	(33,343)
Allowance for credit losses - securitized	(81,750)	(82,247)
<b>Notes receivable, net</b>	<b>\$ 431,801</b>	<b>430,480</b>
<b>Allowance as a % of gross notes receivable</b>	<b>22%</b>	<b>21%</b>

(1) Notes receivable secured by homesites were originated through a business, substantially all of the assets of which were sold by Bluegreen in 2012.

The weighted-average interest rate on Bluegreen's notes receivable was 15.3% and 15.7% at December 31, 2017 and 2016, respectively. Bluegreen's notes receivable secured by VOI notes receivable bear interest at fixed rates. Bluegreen's VOI notes receivable are generally secured by property located in Florida, Missouri, Nevada, South Carolina, Tennessee and Wisconsin.

Future principal payments due on Bluegreen's notes receivable (including notes receivable secured by homesites) during each of the five years subsequent to December 31, 2017 and thereafter are set forth below (in thousands):

	<b>December 31, 2017</b>
2018	\$ 62,360
2019	56,879
2020	59,500
2021	63,061
2022	66,246
Thereafter	242,603
	<b>\$ 550,649</b>

### ***Credit Quality of Notes Receivable and the Allowance for Credit Losses***

Bluegreen holds large amounts of homogeneous VOI notes receivable and assesses uncollectibility based on pools of receivables. In estimating future credit losses, Bluegreen's management does not use a single primary indicator of credit quality but instead evaluates its VOI notes receivable based upon a static pool analysis that incorporates the aging of the respective receivables, default trends and prepayment rates by origination year, as well as the FICO scores of the borrowers.

The activity in Bluegreen's allowance for credit losses (including notes receivable secured by homesites) was as follows (in thousands):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Balance, beginning of period	\$ 115,590	110,714	102,566
Provision for credit losses	46,149	44,337	42,062
Write-offs of uncollectible receivables	(42,891)	(39,461)	(33,914)
Balance, end of period	<b>\$ 118,848</b>	<b>115,590</b>	<b>110,714</b>

The following table shows the delinquency status of Bluegreen's VOI notes receivable as of December 31, 2017 and 2016 (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Current	\$ 525,482	521,536
31-60 days	6,088	6,378
61-90 days	4,897	5,082
> 90 days <sup>(1)</sup>	12,853	11,386
<b>Total</b>	<b>\$ 549,320</b>	<b>544,382</b>

- (1) Includes \$7.6 million and \$5.3 million as of December 31, 2017 and 2016, respectively, related to VOI notes receivable that, as of such date, had defaulted but the related VOI note receivable balance had not yet been charged off in accordance with the provisions of certain of Bluegreen's receivable-backed notes payable transactions. These VOI notes receivable have been reflected in the allowance for credit losses.

## 7. Trade Inventory

The Company's trade inventory consists of the following as of December 31, 2017 and 2016 (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Raw materials	\$ 3,320	5,059
Paper goods and packaging materials	865	2,090
Finished goods	19,717	7,577
<b>Total</b>	<b>\$ 23,902</b>	<b>14,726</b>

Included in cost of trade sales for the years ended December 31, 2017, 2016 and 2015 was \$1.7 million, \$4.7 million and \$1.7 million, respectively, of inventory write-downs.

## 8. VOI Inventory

Bluegreen's VOI inventory consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Completed VOI units	\$ 194,503	156,401
Construction-in-progress	22,334	10,427
Real estate held for future VOI development	64,454	71,706
<b>Total VOI Inventory</b>	<b>\$ 281,291</b>	<b>238,534</b>

In September 2016, Bluegreen increased the average selling price of its VOIs by 5% and in June 2017, Bluegreen increased the average selling price of its VOIs by 4%. As a result of these pricing changes, Bluegreen's management increased its estimate of total gross margin generated on the sale of its VOI inventory. Under the relative sales value method prescribed for timeshare developers to relieve the cost of VOI inventory, changes to the estimate of gross margin expected to be generated on the sale of VOI inventory are recognized on a retrospective basis in earnings. Accordingly, during 2017 and 2016, Bluegreen recognized a benefit to cost of VOIs sold of \$5.1 million and \$5.6 million, respectively.

The interest expense reflected in the Company's Consolidated Statements of Operations and Comprehensive Income is net of capitalized interest. Interest capitalized to VOI inventory was \$1.1 million, \$0.4 million and \$0.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

## 9. Real Estate

Real estate consisted of the following (in thousands):

	December 31,	
	2017	2016
<b>Real estate held-for-sale</b>		
Land	\$ 20,528	28,701
Rental properties	6,181	1,748
Residential single-family	1,119	2,896
Total real estate held-for-sale	<u>27,828</u>	<u>33,345</u>
<b>Real estate held-for-investment</b>		
Land	13,066	11,524
Other	839	880
Total real estate held-for-investment	<u>13,905</u>	<u>12,404</u>
<b>Real estate inventory</b>	<u>26,803</u>	<u>15,254</u>
<b>Total real estate</b>	<u>\$ 68,536</u>	<u>61,003</u>

The amount of interest capitalized to real estate inventory for the years ended December 31, 2017 and 2016 was \$1.4 million and \$0, respectively.

The following table presents real estate held-for-sale valuation allowance activity for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
Beginning of period	\$ 5,240	4,400	2,940
Transfer to held-for-investment	-	-	(93)
Impairments, net (1)	1,696	3,563	3,089
Sales	<u>(3,837)</u>	<u>(2,723)</u>	<u>(1,536)</u>
End of period	<u>\$ 3,099</u>	<u>5,240</u>	<u>4,400</u>

(1) Tax certificate impairments are not included.

## 10. Investments in Unconsolidated Real Estate Joint Ventures

As of December 31, 2017, the Company had equity interests in 16 unconsolidated real estate joint ventures involved in the development of single-family master planned communities, multifamily apartment facilities and retail centers. Investments in unconsolidated real estate joint ventures are accounted for as unconsolidated variable interest entities. See Note 4 for information regarding the Company's investments in consolidated variable interest entities.

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

<b><u>Investment in unconsolidated real estate joint ventures</u></b>	<b><u>December 31,</u></b>		<b>BBX Capital</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% Ownership</u></b>	<b>%</b>
Altis at Kendall Square, LLC	\$ 78	154	20.24	%
Altis at Lakeline - Austin Investors LLC	4,156	5,165	33.74	
New Urban/BBX Development, LLC	1,556	907	50.00	
Sunrise and Bayview Partners, LLC	1,499	1,574	50.00	
Hialeah Communities, LLC	467	2,758	57.00	
PGA Design Center Holdings, LLC	1,862	1,904	40.00	
CCB Miramar, LLC	1,225	875	35.00	
Centra Falls, LLC	159	595	7.14	
The Addison on Millenia Investment, LLC	5,525	5,935	48.00	
BBX/S Millenia Blvd Investments, LLC	5,218	5,095	90.00	
Altis at Bonterra - Hialeah, LLC	16,922	17,626	95.00	
Altis at Shingle Creek Manager, LLC	338	332	2.50	
Altis at Grand Central Capital, LLC	1,872	-	10.54	
Centra Falls II, LLC	551	571	7.14	
BBX/Label Chapel Trail Development, LLC	4,885	-	46.75	
Altis Promenade Capital, LLC	962	-	5.00	
Investments in unconsolidated real estate joint ventures	<u>\$ 47,275</u>	<u>43,491</u>		

The Company analyzed the respective operating agreements governing its investments in unconsolidated real estate joint ventures and determined that it is not the primary beneficiary and therefore the investments in the real estate joint ventures are accounted for under the equity method of accounting. The conclusions were based primarily on the determination that the Company does not have the power to direct activities of the joint ventures that most significantly affect the joint ventures' economic performance as the Company only has limited protective rights under the operating agreements, is not the manager of the joint ventures and does not have day-to-day decision making authority. Additionally, in the majority of the joint ventures the managing member guarantees the indebtedness of the joint venture and in certain joint ventures the managing member is responsible for construction cost overruns. The Company's maximum loss exposure in unconsolidated real estate joint ventures was \$49.8 million as of December 31, 2017.

In certain joint ventures, the Company transferred land to the joint venture as an initial capital contribution resulting in deferred gains and joint venture basis adjustments. The Company accounted for the contribution of land to the joint ventures on the cost recovery method. Included in other liabilities in the Company's Consolidated Statements of Financial Condition as of December 31, 2017 and 2016 was \$0.4 million and \$0.9 million, respectively, of deferred gains associated with these land transfers. During the years ended December 31, 2017, 2016 and 2015 the Company recognized \$0.5 million, \$2.3 million and \$0 of deferred gains in net gains on sales of assets in the Company's Statements of Operations, respectively, upon sales by joint ventures of single-family homes and a multifamily apartment facility.

Differences between the net investments in unconsolidated real estate joint ventures and the underlying equity in the net assets of the joint ventures result from basis adjustments and the capitalization of interest.

The aggregate amount of interest capitalized associated with land development activities of the real estate joint ventures for the years ended December 31, 2017, 2016 and 2015 was \$0.3 million, \$0.9 million and \$0.5 million, respectively.

The aggregate amount of real estate joint venture basis adjustments as of December 31, 2017 and 2016 was \$5.5 million and \$7.6 million, respectively. Included in the Company's Consolidated Statement of Operations and Comprehensive Income for the years ended December 31, 2017 and 2016 was \$2.0 million and \$1.5 million, respectively, of equity earnings associated with basis adjustments from joint ventures arising from sales by joint

ventures of single-family homes. There were no real estate joint venture basis adjustments in equity earnings for the year ended December 31, 2015.

For the years ended December 31, 2017 and 2016, the equity earnings of unconsolidated real estate joint ventures was \$14.5 million and \$13.6 million, respectively, of which \$12.1 million and \$9.5 million, respectively, was equity earnings from the Hialeah Communities real estate joint venture. The condensed Statements of Financial Condition as of December 31, 2017 and 2016, and the condensed Statements of Operations for the years ended December 31, 2017, 2016 and 2015 for the Hialeah Communities joint venture are as follows (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash	\$ 1,750	2,719
Real estate inventory	221	28,246
Properties and equipment	-	439
Other assets	137	1,387
Total assets	<u>\$ 2,108</u>	<u>32,791</u>
<b>Liabilities and Equity</b>		
Notes payable	\$ 161	16,278
Other liabilities	1,347	8,628
Total liabilities	<u>1,508</u>	<u>24,906</u>
Total equity	<u>600</u>	<u>7,885</u>
Total liabilities and equity	<u>\$ 2,108</u>	<u>32,791</u>

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total revenues	\$ 80,407	84,860	17
Costs of sales	(51,072)	(62,315)	-
Other expenses	(5,134)	(4,562)	(1,340)
Net earnings (losses)	<u>\$ 24,201</u>	<u>17,983</u>	<u>(1,323)</u>
Equity in net earnings (losses) of unconsolidated real estate joint venture - Hialeah Communities, LLC	<u>\$ 12,067</u>	<u>9,547</u>	<u>(747)</u>

## 11. Property and Equipment

Property and equipment was comprised of (in thousands):

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Land, building and building improvements	\$ 67,538	73,883
Leasehold improvements	32,419	11,912
Office equipment, furniture and fixtures	76,186	65,284
Transportation	670	453
	<u>176,813</u>	<u>151,532</u>
Accumulated depreciation	<u>(63,955)</u>	<u>(55,534)</u>
Property and equipment, net	<u>\$ 112,858</u>	<u>95,998</u>

Included in selling, general and administrative expenses and cost of trade sales in the Company's Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2017, 2016 and 2015 was approximately \$15.8 million, \$12.4 million and \$11.4 million, respectively, of depreciation expense. During the year ended December 31, 2017, the Company recognized \$0.7 million of impairments losses associated with its manufacturing facility in Utah.

## 12. Goodwill and Intangible Assets

### *Goodwill*

The following table presents goodwill activity for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Balance, beginning of period	\$ 6,731	7,601	7,377
Acquisitions	35,164	-	224
Impairment losses	(2,413)	(870)	-
Balance, end of period	<u>\$ 39,482</u>	<u>6,731</u>	<u>7,601</u>

The Company's goodwill was recognized in connection with BBX Sweet Holdings' acquisition of various operating businesses during the years ended December 31, 2017, 2015, and 2014, including the acquisition of IT'SUGAR in June 2017.

The Company tests goodwill for impairment on an annual basis as of December 31st or during interim periods if impairment indicators exist. During the years ended December 31, 2017 and 2016, the Company determined that the fair values of certain of BBX Sweet Holdings' reporting units were below their respective carrying values as of the applicable testing dates and recognized goodwill impairment losses of \$2.4 million and \$0.9 million, respectively. As a result of the adoption of ASU No. 2017-04, the goodwill impairment loss recognized during the year ended December 31, 2017 was measured based on the excess of the applicable reporting unit's carrying value over its fair value, while the loss recognized during the year ended December 31, 2016 was measured based on the excess of the carrying amount of the reporting unit's goodwill over its implied goodwill as of the testing date.

The decline in the fair value of certain of BBX Sweet Holdings' reporting units and related recognition of goodwill impairment losses primarily resulted from declining profits in its Orlando manufacturing operations and various ongoing strategic initiatives, including the consolidation of BBX Sweet Holdings' manufacturing facilities and the elimination of unprofitable brands. To the extent that BBX Sweet Holdings' reporting units do not meet expectations, there is a downturn in the confectionery industry, or the Company otherwise decides to divest of or exit certain of these operations, the Company may recognize additional goodwill impairment losses in future periods.

The process of evaluating goodwill for impairment involves the determination of the fair value of the Company's reporting units. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including the Company's interpretation of current economic indicators and market valuations, and assumptions about the Company's strategic plans with regard to its operations. Due to the uncertainties associated with such evaluations, actual results could differ materially from such estimates.

### *Intangible Assets*

Intangible assets are as follows (in thousands):

Class	December 31,	
	2017	2016
<b>Intangible assets:</b>		
Management contracts	\$ 61,293	61,293
Trademarks	8,471	5,215
Customer relationships	70	1,620
Lease premium	2,313	2,411
Area development agreements	640	660
Other	777	126
	<u>73,564</u>	<u>71,325</u>
Accumulated amortization	<u>(3,115)</u>	<u>(2,870)</u>
<b>Total intangible assets</b>	<b>\$ <u>70,449</u></b>	<b><u>68,455</u></b>

Management contracts are indefinite lived intangible assets and are not amortized.

Trademarks and customer relationships are amortized using the straight-line method over their expected useful lives of 20 years and 12 years, respectively.

During the year ended December 31, 2016, the Company entered into area development agreements with a franchisor, and the costs related to these agreements are amortized using the straight-line method over their expected lives of 7 years.

The lease premiums are amortized using the straight-line method over the remaining lease term following the acquisition date which is 5 to 7 years.

Amortization expense of intangible assets included in selling general and administrative expenses during each of the three years ended December 31, 2017 was approximately \$0.9 million.

The Company tests intangible assets for recoverability whenever events or changes in circumstances indicate the carrying value of an intangible asset, or an asset group which includes an intangible asset, may not be recoverable. Due to declining profits in BBX Sweet Holdings' Orlando manufacturing operations and various ongoing strategic initiatives, including the consolidation of BBX Sweet Holdings' manufacturing facilities, the elimination of unprofitable brands, and changes in management, the Company tested BBX Sweet Holdings' asset groups for recoverability during the years ended December 31, 2017 and 2016 and determined that the carrying amounts of certain of BBX Sweet Holdings' asset groups were below the estimated undiscounted future cash flows expected to result from the use of such assets. As a result, the Company recognized intangible asset impairment losses of \$1.9 million and \$1.5 million during the years ended December 31, 2017 and 2016, respectively. The impairment losses were measured as the amount by which the carrying amount of the intangible assets exceeded their respective fair values. There were no intangible asset impairment losses recognized during the year ended December 31, 2015.

The Company utilizes discounted cash flow methodology as well as the guideline public company market approach method to determine the fair value of its goodwill and indefinite lived intangible assets. The discounted cash flow methodology establishes fair value by estimating the present value of the projected future cash flows to be generated from reporting units or asset groups. The discount rate applied to the projected future cash flows to arrive at the present value is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The Company generally used a five to nine-year period in computing discounted cash flow values. The most significant assumptions used in the discounted cash flow methodology are the discount rate, the terminal value and the forecast of future cash flows. The guideline public company method determines fair value based upon the consideration of trading prices of publicly held stocks of comparable companies. The significant inputs are market value of invested capital ("MVIC") to revenue and MVIC to earnings before interest, taxes, depreciation and amortization ("EBITDA"). Based on the inputs, multiples of MVIC and EBITDA are derived to approximate the fair value of the reporting unit.



The relief from royalty valuation method, a form of the income approach, was used to estimate the fair value of the trademarks. The fair value of trademarks was determined by present valuing the expected future estimated royalty payments that would have to be paid if the trademarks were not owned. The fair value of the net royalties saved was estimated based on discounted cash flows at a risk adjusted discount rate. The multi-period excess earnings method, a form of the income approach, was used to estimate the fair value of the customer relationships. The multi-period excess earnings method isolates the expected cash flows attributable to the customer relationship intangible asset and discounts these cash flows at a risk adjusted discount rate.

The estimated aggregate amortization expense of intangible assets for each of the five succeeding years is as follows (in thousands):

Years Ending December 31,	Total
2018	838
2019	789
2020	782
2021	768
2022	740

Subsequent to December 31, 2017, the Company commenced the process of exiting BBX Sweet Holdings' manufacturing facility in Utah, and it is anticipated that BBX Sweet Holdings will incur various costs in connection with this initiative, including severance costs for certain employees. In addition, BBX Sweet Holdings remains liable under its lease agreement for the manufacturing facility, which has estimated future minimum rental payments of \$2.5 million, and expects that it will be required to recognize a lease liability when it ceases operations in the facility or will otherwise incur costs to terminate the lease agreement. The Company is also continuing to evaluate the operations of BBX Sweet Holdings' wholesale business, including the potential divestiture of certain operations or acquired businesses. To the extent that the Company decides to divest of or otherwise exit certain of these operations, BBX Sweet Holdings may recognize additional impairment charges and incur additional costs in the first quarter of 2018 or in future periods. As of December 31, 2017, the net book value of the operations under evaluation was \$9.3 million, and the total estimated future minimum rental payments for operating leases (excluding the \$2.5 million above) was \$1.1 million.

### 13. Debt

Contractual minimum principal payments of debt outstanding for each of the five years subsequent to December 31, 2017 and thereafter are shown below (in thousands):

	<b>Notes Payable and Lines of Credit</b>	<b>Recourse Receivable Backed Notes Payable</b>	<b>Non- recourse Receivable Backed Notes Payable</b>	<b>Junior Subordinated Debentures</b>	<b>Total</b>
2018	\$ 36,796	-	-	-	36,796
2019	27,521	-	-	-	27,521
2020	10,183	24,989	-	-	35,172
2021	45,477	21,955	-	-	67,432
2022	4,888	11,326	16,144	-	32,358
Thereafter	21,829	26,427	326,425	177,129	551,810
	146,694	84,697	342,569	177,129	751,089
Unamortized debt issuance costs	(2,580)	-	(6,148)	(1,272)	(10,000)
Discount	-	-	-	(40,443)	(40,443)
Total Debt	\$ 144,114	84,697	336,421	135,414	700,646

The minimum contractual payments set forth in the table above may differ from actual payments due to the timing of principal payments required upon (1) the sale of real estate assets that serve as collateral on certain debt (release payments) and (2) cash collections of pledged or transferred notes receivable.

### Notes Payable and Other Borrowings

The table below sets forth information regarding the lines-of-credit and notes payable facilities (other than receivable-backed notes payable) of the Company as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017			December 31, 2016		
	Debt Balance	Interest Rate	Carrying Amount of Pledged Assets	Debt Balance	Interest Rate	Carrying Amount of Pledged Assets
<b>Bluegreen:</b>						
2013 Notes Payable Pacific Western Term Loan	\$ 46,500	5.50%	\$ 29,403	\$ 52,500	5.50%	\$ 29,349
Fifth Third Bank Note	2,715	6.72%	9,884	1,727	6.02%	8,963
NBA Line of Credit	4,080	4.36%	8,071	4,326	3.62%	9,157
Fifth Third Syndicated Line of Credit	5,089	4.75%	15,260	2,006	5.00%	8,230
Fifth Third Syndicated Term Loan	20,000	4.27%	75,662	15,000	3.46%	60,343
Unamortized debt issuance costs	23,750	4.32%	23,960	25,000	3.46%	20,114
	(1,940)		-	(2,177)		-
<b>Total Bluegreen</b>	<b>\$ 100,194</b>		<b>\$ 162,240</b>	<b>\$ 98,382</b>		<b>\$ 136,156</b>
<b>Other:</b>						
Community Development District Obligations	\$ 21,435	4.50-6.00%	\$ 26,803	\$ 21,435	4.50-6.00%	\$ 20,744
TD Bank Term Loan and Line of Credit	12,890	4.02%	(2)	-	-	-
Wells Fargo Capital Finance	-	-	-	9,692	(1)	(2)
Seller Note	1,471	5.00%	(2)	3,417	5.00%	(2)
Iberia Line of Credit	3,820	4.12%	(2)	-	3.37%	(2)
Unsecured Note	3,400	6.00%	(3)	-	-	-
Other	1,544	5.25%	\$ 1,993	1,579	5.25%	\$ 2,044
Unamortized debt issuance costs	(640)			(715)		
<b>Total Other</b>	<b>\$ 43,920</b>			<b>\$ 35,408</b>		
<b>Total Notes Payable and Other Borrowings</b>	<b>\$ 144,114</b>			<b>\$ 133,790</b>		

- (1) The term loan and revolving advance facility bear interest at the Bank Prime Interest Rate or the daily three month LIBOR interest rate plus a margin specified in the credit agreement ranging from 0.5% to 3.25% per annum.
- (2) The collateral is a blanket lien on the respective company's assets.
- (3) BBX Capital is guarantor on the promissory note.

### Bluegreen

**2013 Notes Payable** – In March 2013, Bluegreen issued \$75.0 million of senior secured notes (the “2013 Notes Payable”) in a private financing transaction. The 2013 Notes Payable are secured by certain of Bluegreen’s assets, including primarily the cash flows from the residual interests relating to certain term securitizations and the VOI inventory in the BG Club 36 resort in Las Vegas, Nevada. Pursuant to the terms of the 2013 Notes Payable, Bluegreen is required to periodically pledge reacquired VOI inventory in the BG Club 36 resort. Bluegreen may also pledge additional residual interests from other term securitizations. In September 2016, the 2013 Notes Payable were amended to reduce the interest rate from 8.05% to 5.50%. The 2013 Notes Payable mature in March 2020. The terms of the 2013 Notes Payable include certain covenants and events of default, which Bluegreen’s management considers to be customary for transactions of this type. The proceeds from the 2013 Notes Payable were used to fund a portion of the



consideration paid to Bluegreen's former shareholders in connection with BBX Capital's acquisition of all of Bluegreen's then-outstanding shares in April 2013.

*Pacific Western Term Loan* - Bluegreen has a non-revolving \$2.7 million term loan (the "Pacific Western Term Loan") with Pacific Western Bank, as successor by merger to CapitalSource Bank, secured by unsold inventory and undeveloped land at the Bluegreen Odyssey Dells Resort. The Pacific Western Term Loan matures in June 2019 and bears interest at 30-day LIBOR plus 5.25%. Interest payments are paid monthly. Principal payments are effected through release payments upon sales of VOIs in the Bluegreen Odyssey Dells Resort that serve as collateral for the Pacific Western Term Loan, subject to mandatory principal reductions pursuant to the terms of the loan agreement. The Pacific Western Term Loan is cross-collateralized and is subject to cross-default with the Pacific Western Facility described below.

*Fifth Third Bank Note Payable* - In April 2008, Bluegreen entered into a note payable with Fifth Third Bank to finance an acquisition of real estate. The Fifth Third Bank Note Payable matures in August 2021. Principal and interest on amounts outstanding under the Fifth Third Bank Note Payable are payable monthly through maturity. The interest rate under the note equals the 30-day LIBOR plus 3.00%.

*NBA Line of Credit*. Bluegreen/Big Cedar Vacations has a revolving line of credit (the "NBA Line of Credit") with National Bank of Arizona ("NBA"). The NBA Line of Credit allows for a maximum borrowing limit of \$20 million (subject to decrease as described below in connection with any increase in the borrowing limit under the NBA Receivables Facility). The NBA Line of Credit provides for a revolving advance period expiring in September 2020 and maturity in September 2022, and is secured by unsold inventory and a building under construction at Bluegreen/Big Cedar Vacations' the Cliffs at Long Creek Resort. Borrowings under the NBA Line of Credit accrue interest at a rate equal to the one month LIBOR plus 3.25% (with an interest rate floor of 4.75%). Interest payments are paid monthly. Principal payments are effected through release payments upon sales of VOIs in The Cliffs at Long Creek Resort that serve as collateral for the NBA Line of Credit, subject to mandatory principal reductions. The NBA Line of Credit is cross-collateralized and is subject to cross-default with the NBA Receivables Facility described below.

*Fifth Third Syndicated Line-of-Credit and Fifth Third Syndicated Term Loan* - In November 2014, Bluegreen entered into a \$25.0 million revolving credit facility with Fifth Third Bank as administrative agent and lead arranger and certain other bank participants as lenders. In December 2016, Bluegreen amended and restated the credit and security agreement. The amended and restated facility is a \$100.0 million syndicated credit facility with Fifth Third, as administrative agent and lead arranger and certain other bank participants. The amended and restated facility includes a \$25.0 million term loan (the "Fifth Third Syndicated Term Loan") with quarterly amortization requirements and a \$75.0 million revolving line of credit (the "Fifth Third Syndicated Line-of-Credit"). Amounts borrowed under the facility generally bear interest at LIBOR plus 2.75% - 3.75% depending on Bluegreen's leverage ratio, are collateralized by certain of Bluegreen's VOI inventory, sales center buildings and short-term receivables, and will mature in December 2021. The facility contains covenants and conditions which Bluegreen considers to be customary for transactions of this type. Borrowings are used by Bluegreen for general corporate purposes. As of December 31, 2017, outstanding borrowings under the facility totaled \$43.8 million, including \$23.8 million outstanding under the Fifth Third Syndicated Term Loan and \$20.0 million of borrowings under the Fifth Third Syndicated Line-of-Credit.

#### ***Other Notes Payable***

*Community Development District Obligations* - A community development district or similar development authority ("CDD") is a unit of local government created under various state and/or local statutes to encourage planned community development and allow for the construction of infrastructure improvements through alternative financing sources, including the tax-exempt bond markets. A CDD is generally created through the approval of the local city or county in which the CDD is located and is controlled by a Board of Supervisors representing the landowners within the CDD. In connection with the development of the Beacon Lakes Community, The Meadow View at Twin Creeks CDD was formed by St. Johns County, Florida to use bond financing to fund construction of infrastructure improvements at the Beacon Lakes Community. The CDD assesses the property owners benefiting from the improvements financed by the bond offerings.

The obligation to pay principal and interest on the bonds issued by the CDD is assigned to each parcel within the CDD and the CDD has a lien on each parcel. If the owner of the parcel does not pay this obligation, the CDD can foreclose

on the lien. The CDD bond obligations, including interest and the associated lien on the property are typically payable, secured and satisfied by revenues, fees or assessments levied on the property benefited.

The total amount of CDD bond obligations outstanding with respect to the Beacon Lakes Community was \$21.4 million as of December 31, 2017. The assessments to be levied by the CDD are fixed or determinable amounts. The CDD bond obligations outstanding as of December 31, 2017 have fixed interest rates ranging from 4.5% to 6.00% and mature at various times during the years 2026 through 2047. The Company at its option has the ability to repay a specified portion of the bonds at the time of each lot closing.

The Company records an obligation for the CDD bond upon issuance with a corresponding increase in other assets. The CDD bonds are secured by a lien on the Beacon Lakes property which is included in "Real Estate" in the Company's Consolidated Statement of Financial Condition with a carrying amount of \$26.8 million as of December 31, 2017. The Company relieves the CDD bond obligation associated with a particular parcel when the purchaser of the property assumes the obligation which occurs automatically upon such purchaser's acquisition of the property or upon repayment by the Company. Included in "Other Assets" in the Company's Consolidated Statement of Financial Condition as of December 31, 2017 and 2016 was \$9.5 million and \$20.7 million, respectively, of funds that the Company does not have the right of setoff on the Company's CDD bond obligations. Construction funds receivable associated with the CDD bond obligations is reduced with a corresponding increase in real estate inventory when the CDD disburses the funds to contractors for the construction of infrastructure improvements.

*Toronto-Dominion Commercial Bank ("TD Bank") Term Loan and Line of Credit* In May 2017, Renin entered into a credit facility with TD Bank and in September 2017 the facility was amended. Under the terms and conditions of the amended credit facility, TD Bank agreed to provide term loans for up to \$1.7 million and loans under a revolving credit facility for up to approximately \$16.3 million based on available collateral as defined in the facility and subject to Renin's compliance with the terms and conditions of the facility, including certain specific financial covenants. The proceeds from the TD Bank credit facility were used to repay the Wells Fargo credit facility described below and for working capital.

Amounts outstanding under the revolving credit facility bear interest at the Canadian or United States Prime Rate plus a margin of 1.00% per annum or the three-month LIBOR rate plus a margin of 2.75% per annum. Outstanding principal on the revolving credit facility is payable one-year from the date of the advance. As of December 31, 2017, the amount outstanding under the revolving credit facility was \$11.3 million.

The term loans were funded in three tranches aggregating \$1.6 million through July 2017 with \$0.1 million of additional draws permitted. Amounts outstanding under the term loans bear interest at fixed interest rates ranging from 3.85% to 4.35% for one-year from the date of the applicable drawdown for each loan. Annually, the fixed interest rates adjust to a variable rate based on Canadian or United States Prime Rate plus a margin of 1.00% per annum or the three-month LIBOR rate plus a margin of 2.75% per annum. The amounts outstanding under the term loans mature between June 2020 and June 2022.

Amounts outstanding under the term loans and borrowings under the revolving credit facility require monthly interest payments.

Under the terms and conditions of the TD Bank credit facility, Renin is required to comply with certain financial covenants including a quarterly Debt Service Coverage Ratio and a quarterly Total Debt to Tangible Net Worth Ratio. The facility also contains customary affirmative and negative covenants, including those that, among other things, limit the ability of Renin to incur liens or engage in certain asset dispositions, mergers or consolidations, dissolutions, liquidations or winding up of its businesses. The credit facility is collateralized by all of Renin's assets.

*Wells Fargo Capital Finance* - In May 2017, Renin entered into a credit facility with TD Bank described above, with a portion of the proceeds from the TD Bank credit facility used to repay all amounts then outstanding under the Wells Fargo Credit Agreement (including accrued interest).

*Seller Note* - In October 2014, BBX Sweet Holdings acquired the outstanding common shares of Anastasia Confections, LLC ("Anastasia"). A portion of the purchase consideration was a \$7.5 million promissory note. The promissory note bears interest at 5% per annum, and the Company has made three annual principal payments of \$2.0 million each on the promissory note plus accrued interest on October 1, 2017, 2016 and 2015. The remaining \$1.5 million balance of the promissory note plus accrued interest is payable on October 1, 2018. The repayment of the promissory note is guaranteed by the Company and secured by the common stock of Anastasia. The Anastasia note payable was recorded at a \$0.3 million discount to reflect the fair value of the note payable at the acquisition date.



*Unsecured Note* – In October 2017, a wholly-owned subsidiary of the Company issued a \$3.4 million unsecured note to the seller of real estate to the Chapel Trail joint venture, in which the subsidiary has a 46.75% equity interest. The unsecured note was part of the subsidiary's initial capital contribution to the BBX/Label Chapel Trail Development real estate joint venture. The note is not secured by the joint venture property and BBX Capital guarantees the repayment of the unsecured note. The unsecured note accrues interest at a fixed rate of 6.0% per annum with monthly interest only payments and the entire outstanding principal maturing on October 12, 2022.

*Iberia Line of Credit* - On August 7, 2015, BBX Sweet Holdings entered into a Loan and Security Agreement and related agreements with Iberiabank, which provides for borrowings by BBX Sweet Holdings of up to \$5.0 million on a revolving basis. Amounts borrowed under this facility accrue interest at a floating rate of 30-day LIBOR plus 2.75%. Payments of interest only are payable monthly. The facility matured on August 4, 2017 and BBX Sweet Holdings exercised its twelve month renewal option and the maturity date was extended from August 4, 2017 to August 4, 2018. The loan documents include a number of covenants, including financial covenants relating to BBX Sweet Holdings' debt service coverage ratio. The facility is secured by the assets of BBX Sweet Holdings and its subsidiaries and is guaranteed by the Company.

*Other* – Other notes payable includes a term loan to BBX Sweet Holdings with an outstanding balance of \$1.5 million and \$1.6 million as of December 31, 2017 and 2016, respectively, collateralized by land and buildings with a carrying value of \$2.0 million on each of December 31, 2017 and 2016. The Company is the guarantor on this note payable.

On March 6, 2018, BBX Capital, BBX Sweet Holdings, Food for Thought Restaurant Group-Florida, LLC, BBX Capital Florida LLC and Woodbridge, entered into a Loan and Security Agreement and related agreements with Iberiabank, as administrative agent and lender, and City National Bank of Florida, as lender, which provide for a \$50 million revolving line of credit. Amounts borrowed under the facility will accrue interest at a floating rate of 30-day LIBOR plus a margin of 3.0% to 3.75% or the Prime Rate plus a margin of 1.50% to 2.25%. The applicable margin is based on BBX Capital's debt to EBITDA ratio. Payments of interest only will be payable monthly. The facility matures, and all outstanding principal and interest will be payable, on March 6, 2020, with twelve month renewal options at BBX Capital's request, subject to satisfaction of certain conditions. The facility is secured by a pledge of a percentage of BBX Capital's membership interests in Woodbridge having a value of not less than \$100 million. Borrowings under the facility may be used for business acquisitions, real estate investments, stock repurchases, letters of credit and general corporate purposes. Under the terms and conditions of the Loan and Security Agreement, we are required to comply with certain financial covenants, including maintaining minimum unencumbered liquidity and complying with financial ratios related to fixed charge coverage and debt to EBITDA. The Loan and Security Agreement also contains customary affirmative and negative covenants, including those that, among other things, limit the ability of BBX Capital and the other borrowers to incur additional indebtedness and to make certain loans and investments.

### Receivable-Backed Notes Payable

The table below sets forth information regarding Bluegreen's receivable-backed notes payable facilities (dollars in thousands):

	December 31, 2017			December 31, 2016		
	Debt Balance	Interest Rate	Principal Balance of Pledged/ Secured Receivables	Debt Balance	Interest Rate	Principal Balance of Pledged/ Secured Receivables
<b>Recourse receivable-backed notes payable:</b>						
Liberty Bank Facility	\$ 24,990	5.00%	\$ 30,472	\$ 32,674	4.25% 3.50 -	\$ 41,357
NBA Receivables Facility	44,414	4.10%	53,730	34,164	4.00%	40,763
Pacific Western Facility	15,293	6.00%	19,516	20,793	5.14%	27,712
Total	<u>\$ 84,697</u>		<u>\$ 103,718</u>	<u>\$ 87,631</u>		<u>\$ 109,832</u>
<b>Non-recourse receivable-backed notes payable:</b>						
KeyBank/DZ Purchase Facility	\$ 16,144	4.31% 4.75-	\$ 19,866	\$ 31,417	3.67%	\$ 41,388
Quorum Purchase Facility	16,771	6.90%	18,659	23,981	4.75-6.90%	26,855
2010 Term Securitization	-	-	-	13,163	5.54%	16,191
2012 Term Securitization	23,227	2.94%	25,986	32,929	2.94%	36,174
2013 Term Securitization	37,163	3.20%	39,510	48,514	3.20%	51,157
2015 Term Securitization	58,498	3.02%	61,705	75,011	3.02%	78,980
2016 Term Securitization	83,142	3.35%	91,348	107,533	3.35%	117,249
2017 Term Securitization	107,624	3.12%	119,582	-	-	-
Unamortized debt issuance costs	(6,148)		-	(5,190)		-
Total	<u>\$ 336,421</u>		<u>\$ 376,656</u>	<u>\$ 327,358</u>		<u>\$ 367,994</u>
<b>Total receivable-backed debt</b>	<u>\$ 421,118</u>		<u>\$ 480,374</u>	<u>\$ 414,989</u>		<u>\$ 477,826</u>

*Liberty Bank Facility* - Since 2008, Bluegreen has maintained a revolving VOI notes receivable hypothecation facility (the "Liberty Bank Facility") with Liberty Bank which provides for advances on eligible receivables pledged under the Liberty Bank Facility, subject to specified terms and conditions, during a revolving credit period. Pursuant to the terms of the facility, the aggregate maximum outstanding borrowings are \$50.0 million and the revolving credit period was due to expire on January 30, 2018; however, in January 2018 an amendment to the agreement extended the expiration to March 31, 2018. Bluegreen has signed a non-binding term sheet for a renewal of the Liberty Bank Facility and is negotiating the definitive legal documentation. There can be no assurance that this renewal will be closed on acceptable terms, if at all. The Liberty Bank Facility allows future advances of (i) 85% of the unpaid principal balance of Qualified Timeshare Loans assigned to agent, and (ii) 60% of the unpaid principal balance of Non-Conforming Qualified Timeshare Loans assigned to agent, all of which bear interest at the WSJ Prime Rate plus 0.50% per annum subject to a 4.00% floor. Principal and interest are required to be paid as cash is collected on the pledged receivables, with all outstanding amounts being due in November 2020.

*NBA Receivables Facility*: Bluegreen/Big Cedar Vacations has a revolving VOI hypothecation facility (the "NBA Receivables Facility") with NBA. The NBA Receivables Facility provides for advances at a rate of 85% on eligible receivables pledged under the facility, subject to eligible collateral and specified terms and conditions, during a revolving credit period expiring in 2020 and allows for maximum borrowings of up to \$50.0 million (inclusive of outstanding borrowings under the NBA Line of Credit). The maximum borrowings may increase by up to an additional \$20.0 million (to a total of \$70.0 million, at our option); provided, however, that any such increase will result in a corresponding decrease in the maximum borrowings under the NBA Line of Credit. The maturity date for the facility is March 2025. The interest rate applicable to future borrowings under the NBA Receivables Facility is equal to the 30-day LIBOR plus 2.75% (with an interest rate floor of 3.50%). All principal and interest payments



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received on pledged receivables are applied to principal and interest due under the facility. The NBA Receivables Facility is cross-collateralized and is subject to cross-default with the NBA Line of Credit.

*Pacific Western Facility* - Bluegreen has a revolving VOI notes receivable hypothecation facility (the "Pacific Western Facility") with Pacific Western Bank, which provides for advances on eligible VOI notes receivable pledged under the facility, subject to specified terms and conditions, during a revolving credit period. Maximum outstanding borrowings under the Pacific Western Facility are \$40.0 million (inclusive of outstanding borrowings under the Pacific Western Term Loan), subject to eligible collateral and customary terms and conditions. The revolving advance period expiration date is September 2018, subject to an additional 12-month extension at the option of Pacific Western Bank. Eligible "A" VOI notes receivable that meet certain eligibility and FICO® score requirements, which Bluegreen's management believes are typically consistent with loans originated under Bluegreen's current credit underwriting standards, are subject to an 85% advance rate. The Pacific Western Facility also allows for certain eligible "B" VOI notes receivable (which have less stringent FICO score requirements) to be funded at a 53% advance rate. Borrowings under the facility bear interest at 30-day LIBOR plus 4.50%. However, on October 19, 2017 the Pacific Western Facility was amended to decrease the interest rate on a portion of future borrowings, to the extent such borrowings are in excess of established debt minimums, to 30-day LIBOR plus 3.50% to 4.00%. Principal repayments and interest on borrowings under the Pacific Western Facility are paid as cash is collected on the pledged VOI notes receivable, subject to future required decreases in the advance rates after the end of the revolving advance period, with the remaining outstanding balance maturing in September 2021, subject to an additional 12-month extension at the option of Pacific Western Bank. The Pacific Western Facility is cross-collateralized and is subject to cross-default with the Pacific Western Term Loan described above.

*KeyBank/DZ Purchase Facility* - Bluegreen has a VOI notes receivable purchase facility (the "KeyBank/DZ Purchase Facility") with DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt AM Main ("DZ"), and KeyBank National Association ("KeyBank") which permits maximum outstanding financings of \$80.0 million, with an advance period expiring in December 2019 and an advance rate of 80%. The KeyBank/DZ Purchase Facility will mature and all outstanding amounts will become due thirty-six months after the revolving advance period has expired, or earlier under certain circumstances set forth in the facility. Interest on amounts outstanding under the facility is tied to an applicable index rate of the LIBOR rate, in the case of amounts funded by KeyBank, and a cost of funds rate or commercial paper rates, in the case of amounts funded by or through DZ. The interest rate payable under the facility is the applicable index rate plus 2.75% until the expiration of the revolving advance period and thereafter will be the applicable index rate plus 4.75%. Subject to the terms of the facility, Bluegreen will receive the excess cash flows generated by the VOI notes receivable sold (excess meaning after payments of customary fees, interest and principal under the facility) until the expiration of the VOI notes receivable advance period, at which point all of the excess cash flow will be paid to the note holders until the outstanding balance is reduced to zero. While ownership of the VOI notes receivable included in the facility is transferred and sold for legal purposes, the transfer of these VOI notes receivable is accounted for as a secured borrowing for financial reporting purposes. The facility is nonrecourse.

*Quorum Purchase Facility* - Bluegreen and Bluegreen/Big Cedar Vacations have a timeshare notes receivable purchase facility (the "Quorum Purchase Facility") with Quorum Federal Credit Union ("Quorum"). Pursuant to which Quorum agreed to purchase, on a revolving basis through June 30, 2018, eligible timeshare receivables in an amount of up to an aggregate \$50.0 million purchase price, subject to certain conditions precedent and other terms of the facility. Amounts currently outstanding under the Quorum Purchase Facility accrue interest at interest rates ranging from 4.75% to 6.90% per annum. The interest rate on future advances made under the Quorum Purchase Facility will be set at the time of funding based on rates mutually agreed upon by all parties. The Quorum Purchase Facility provides for an 85% advance rate on eligible receivables sold under the facility. Future advances are also subject to a loan purchase fee of 0.50%. The Quorum Purchase Facility becomes due in December 2030. Eligibility requirements for receivables sold include, among others, that the obligors under the timeshare notes receivable sold be members of Quorum at the time of the note sale. Subject to performance of the collateral, Bluegreen or Bluegreen/Big Cedar Vacations, as applicable, will receive any excess cash flows generated by the receivables transferred to Quorum under the facility (excess meaning after payments of customary fees, interest, and principal under the facility) on a pro-rata basis as borrowers make payments on their timeshare loans. While ownership of the timeshare receivables included in the Quorum Purchase Facility is transferred and sold for legal purposes, the transfer of these timeshare receivables is accounted for as a secured borrowing for financial reporting purposes. The facility is nonrecourse and is not guaranteed by Bluegreen. As of December 31, 2017, \$16.8 million was outstanding under the Quorum Purchase Facility, all of which relates to Bluegreen/Big Cedar Vacations.

*2016 Term Securitization* - On March 17, 2016, Bluegreen completed a private offering and sale of \$130.5 million of investment-grade, timeshare receivable-backed notes (the "2016 Term Securitization"). The 2016 Term Securitization consisted of the issuance of two tranches of timeshare receivable-backed notes (the "Notes"): \$95.7 million of Class



A and \$34.8 million of Class B notes with note interest rates of 3.17% and 3.86%, respectively, which blended to an overall weighted-average note interest rate of 3.35%. The gross advance rate for this transaction was 90%. The Notes mature in July 2031.

The amount of the timeshare receivables sold to BXG Receivable Note Trust 2016 (the “2016 Trust”) was \$145.0 million, \$122.3 million of which was sold to the 2016 Trust at closing and \$22.7 million of which was subsequently sold to the 2016 Trust. The gross proceeds of such sales to the 2016 Trust were \$130.5 million. A portion of the proceeds were used to: repay the KeyBank/DZ Purchase Facility a total of \$49.0 million, representing all amounts then outstanding under the facility (including accrued interest); repay \$24.2 million under the Liberty Bank Facility, which includes accrued interest; capitalize a reserve fund; and pay fees and expenses associated with the transaction. Prior to the closing of the 2016 Term Securitization, Bluegreen, as a servicer, funded \$11.3 million in connection with the servicer redemption of the notes related to BXG Receivables Note Trust 2007-A, and certain of the timeshare loans in such trust were sold to the 2016 Trust in connection with the 2016 Term Securitization. In April 2016, Bluegreen, as a servicer, funded \$6.1 million in connection with the servicer redemption of the notes related to BXG Receivables Note Trust 2008-A, and certain of the timeshare loans in such trust were sold to the 2016 Trust in connection with the 2016 Term Securitization. The remainder of the net proceeds from the 2016 Term Securitization of \$36.0 million were used by Bluegreen for general corporate purposes.

While ownership of the timeshare receivables included in the 2016 Term Securitization was transferred and sold for legal purposes, the transfer of these timeshare receivables was accounted for as a secured borrowing for financial accounting purposes. Accordingly, no gain or loss was recognized as a result of this transaction. Subject to the performance of the collateral, Bluegreen will receive any excess cash flows generated by the receivables transferred under the 2016 Term Securitization (excess meaning after payments of customary fees, interest, and principal under the 2016 Term Securitization) on a pro-rata basis as borrowers make payments on their timeshare loans.

*2017 Term Securitization* – On June 6, 2017, Bluegreen completed a private offering and sale of approximately \$120.2 million of investment grade, VOI receivable-backed notes (the “2017 Term Securitization”). The 2017 Term Securitization consisted of the issuance of two tranches of VOI receivable-backed notes (the “Notes”): approximately \$88.8 million of Class A notes and approximately \$31.4 million of Class B notes with note interest rates of 2.95% and 3.59%, respectively, which blended to an overall weighted average note interest rate of approximately 3.12%. The gross advance rate for this transaction was 88%. The Notes mature in October 2032.

The amount of the VOI notes receivable sold to BXG Receivables Note Trust 2017 (the “2017 Trust”) was approximately \$136.5 million, approximately \$117.0 million of which was sold to the 2017 Trust at closing, and approximately \$19.6 million of which was subsequently sold to the 2017 Trust. The gross proceeds of such sales to the 2017 Trust were \$120.2 million. A portion of the proceeds was used to repay KeyBank and DZ \$32.3 million, representing all amounts outstanding (including accrued interest) under the KeyBank/DZ Purchase Facility, repay Liberty Bank approximately \$26.8 million (including accrued interest) under Bluegreen’s existing facility with Liberty Bank, capitalize a reserve fund, and pay fees and expenses associated with the transaction. In April 2017, Bluegreen, as servicer, redeemed the notes related to BXG Receivables Note Trust 2010-A for approximately \$10.0 million, and certain of the VOI notes receivable in such trust were sold to the 2017 Trust in connection with the 2017 Term Securitization. The remainder of the proceeds from the 2017 Term Securitization were used by Bluegreen for general corporate purposes.

While ownership of the VOI notes receivable included in the 2017 Term Securitization is transferred and sold for legal purposes, the transfer of these VOI notes receivables are accounted for as a secured borrowing for financial accounting purposes. Accordingly, no gain or loss was recognized as a result of this transaction. Subject to the performance of the collateral, Bluegreen will receive any excess cash flows generated by the VOI notes receivable transferred under the 2017 Term Securitization (excess meaning after payments of customary fees, interest, and principal under the 2017 Term Securitization) on a pro-rata basis as borrowers make payments on their VOI notes receivable.

*Other Non-Recourse Receivable-Backed Notes Payable* – In addition to the above described facilities, Bluegreen has a number of other nonrecourse receivable-backed notes payable facilities, as set forth in the table above. During 2017, Bluegreen repaid \$62.0 million under these additional receivable-backed notes payable facilities, including the payment in full of the notes payable issued in connection with the 2010 Term Securitization. During 2017, Bluegreen wrote off the related unamortized debt issuance cost of \$0.3 million. During 2016, Bluegreen repaid \$82.6 million under these additional receivable-backed notes payable facilities, including the payment in full of the notes payable issued in connection with the 2007 and 2008 Term Securitizations. During 2016, Bluegreen wrote off the related unamortized 2007 and 2008 Term Securitization debt issuance costs, totaling approximately \$0.5 million.



### Junior Subordinated Debentures

Junior subordinated debentures outstanding at December 31, 2017 and 2016 were as follows (in thousands):

Junior Subordinated Debentures	December 31,						Initial Equity in Trust <sup>(3)</sup>	Issue Date	Maturity Date <sup>(4)</sup>
	2017		2016		Interest Rate <sup>(2)</sup>				
	Carrying Amount <sup>(1)</sup>	Effective Interest Rate	Carrying Amount <sup>(1)</sup>	Effective Interest Rate					
Levitt Capital Trust I ("LCT I")	\$ 23,196	5.19%	\$ 23,196	4.85%	LIBOR + 3.85%	\$ 696	03/15/2005	03/01/2035	
Levitt Capital Trust II ("LCT II")	19,878	5.18%	30,928	4.69%	LIBOR + 3.80%	928	05/04/2005	06/30/2035	
Levitt Capital Trust III ("LCT III")	7,764	5.14%	15,464	4.80%	LIBOR + 3.80%	464	06/01/2006	06/30/2036	
Levitt Capital Trust IV ("LCTIV")	15,464	5.14%	15,464	4.80%	LIBOR + 3.80%	464	07/18/2006	09/30/2036	
<b>Total Woodbridge</b>	<b>\$ 66,302</b>		<b>\$ 85,052</b>			<b>\$ 2,552</b>			
Bluegreen Statutory Trust I	\$ 14,703	6.59%	\$ 14,422	5.90%	LIBOR +4.90%	\$ 696	03/15/2005	3/30/2035	
Bluegreen Statutory Trust II	16,472	6.23%	16,164	5.74%	LIBOR +4.85%	774	05/04/2005	7/30/2035	
Bluegreen Statutory Trust III	6,670	6.23%	6,550	5.74%	LIBOR +4.85%	310	05/10/2005	7/30/2035	
Bluegreen Statutory Trust IV	9,802	6.54%	9,614	5.85%	LIBOR +4.85%	464	04/24/2006	6/30/2036	
Bluegreen Statutory Trust V	9,802	6.54%	9,614	5.85%	LIBOR +4.85%	464	07/21/2006	9/30/2036	
Bluegreen Statutory Trust VI	12,935	6.18%	12,680	5.69%	LIBOR +4.80%	619	02/26/2007	4/30/2037	
<b>Total Bluegreen</b>	<b>\$ 70,384</b>		<b>\$ 69,044</b>			<b>\$ 3,327</b>			
Unamortized debt issuance costs	\$ (1,272)		\$ (1,729)						
<b>Total Junior Subordinated Debentures</b>	<b>\$ 135,414</b>		<b>\$ 152,367</b>						

- (1) Amounts as of December 31, 2017 and 2016 include purchase accounting adjustments which reduced the carrying value by \$40.4 million and \$41.8 million, respectively.
- (2) LIBOR interest rates are indexed to three-month LIBOR and adjust quarterly.
- (3) Initial equity in the trust is recorded as part of other assets in the Consolidated Statements of Financial Condition.
- (4) All of the junior subordinated debentures are eligible for redemption as of December 31, 2017 and 2016.

Woodbridge and Bluegreen have each formed statutory business trusts (collectively, the "Trusts") each of which issued trust preferred securities and invested the proceeds thereof in junior subordinated debentures of Woodbridge and Bluegreen, respectively. The Trusts are variable interest entities in which Woodbridge and Bluegreen, as applicable, are not the primary beneficiaries as defined by the accounting guidance for the consolidation of variable interest entities. Accordingly, the Company and its subsidiaries do not consolidate the operations of these Trusts; instead, the beneficial interests in the Trusts are accounted for under the equity method of accounting. Interest on the junior subordinated debentures and distributions on the trust preferred securities are payable quarterly in arrears at the same interest rate.

During January 2017, Woodbridge purchased approximately \$11.1 million of LCTII trust preferred securities for \$6.7 million and purchased approximately \$7.7 million of LCTIII trust preferred securities for \$4.7 million and in February 2017, Woodbridge delivered such securities to the respective trusts in exchange for the cancellation of \$11.1 million of Woodbridge's junior subordinated debentures held by LCTII and \$7.7 million of Woodbridge's junior subordinated debentures held by LCTIII. As a result, in February 2017, Woodbridge recognized a \$6.9 million gain associated with

the cancellation of the notes, which is included in “Net gains on cancellation of junior subordinated debentures” in the Company’s Consolidated Statements of Operations for the year ended December 31, 2017.

As of December 31, 2017 and 2016, BBX Capital and its subsidiaries are in compliance with all financial debt covenants under its debt instruments. Bluegreen had availability of approximately \$219.6 million under their receivable-backed purchase and credit facilities, inventory lines of credit and corporate credit line, subject to eligible collateral and the terms of the facilities, as applicable, as of December 31, 2017.

#### 14. Income Taxes

The Company’s United States and foreign components of income before income taxes are as follows (in thousands):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
U.S.	\$ 92,888	77,629	67,272
Foreign	486	407	(2,589)
Total	<u>\$ 93,374</u>	<u>78,036</u>	<u>64,683</u>

The provision for income taxes consisted of (in thousands):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Current:</b>			
Federal	\$ 1,211	(339)	5,288
State	1,767	1,014	2,445
	<u>2,978</u>	<u>675</u>	<u>7,733</u>
<b>Deferred:</b>			
Federal	(12,072)	36,393	(74,189)
State	1,871	(689)	(10,140)
	<u>(10,201)</u>	<u>35,704</u>	<u>(84,329)</u>
<b>(Benefit) provision for income taxes</b>	<u>(7,223)</u>	<u>36,379</u>	<u>(76,596)</u>

The Company's actual provision for income taxes differs from the expected Federal income tax provision as follows (dollars in thousands):

	<b>For the Years Ended December 31,</b>					
	<u>2017<sup>(1)</sup></u>		<u>2016<sup>(1)</sup></u>		<u>2015<sup>(1)</sup></u>	
Income tax provision at expected federal income tax rate of 35%	\$ 32,681	35.00 %	\$ 27,313	35.00 %	\$ 22,639	35.00 %
<b>Increase (decrease) resulting from:</b>						
Provision for state taxes, net of federal effect	3,637	3.90	527	0.68	9,029	13.96
Effect of federal rate change-2017 tax reform	(43,089)	(46.15)	-	-	-	-
Taxes related to subsidiaries not consolidated for income tax purposes	(4,467)	(4.78)	(3,432)	(4.40)	(4,842)	(7.49)
Nondeductible executive compensation	4,309	4.61	7,301	7.47	5,636	8.54
Bluegreen settlement	-	-	-	-	12,820	19.82
Bluegreen initial public offering	1,467	1.57	-	-	-	-
SEC penalty	(1,593)	(1.71)	-	-	1,243	1.92
Increase/(decrease) in valuation allowance	25	0.03	3,807	6.76	(127,947)	(197.63)
Other – net	(193)	(0.21)	863	1.11	4,826	7.46
<b>(Benefit) provision for income taxes</b>	<u>\$ (7,223)</u>	<u>(7.74)%</u>	<u>\$ 36,379</u>	<u>46.62 %</u>	<u>\$ (76,596)</u>	<u>(118.42)%</u>

(1) Expected tax is computed based upon income before income taxes.



The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and tax liabilities were (in thousands):

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Deferred tax assets:</b>			
Allowance for loan losses, tax certificate losses and write-downs for financial statement purposes	\$ 26,825	42,008	41,832
Federal and State NOL and tax credit carryforward	148,665	218,609	237,820
Real estate valuation	9,117	16,828	33,505
Share based compensation	24	232	1,171
Property and equipment	1,642	3,015	588
Other	7,363	11,183	6,631
Total gross deferred tax assets	193,636	291,875	321,547
Valuation allowance	<u>(102,282)</u>	<u>(131,727)</u>	<u>(127,920)</u>
Total deferred tax assets	<u>91,354</u>	<u>160,148</u>	<u>193,627</u>
<b>Deferred tax liabilities:</b>			
Installment sales treatment of notes	100,717	152,074	150,237
Intangible assets	14,322	24,501	25,368
Junior subordinated debentures	9,144	16,349	17,205
Deferral of VOI sales and costs under timeshare accounting	7,535	8,718	9,222
Other	2,729	2,824	189
Total gross deferred tax liabilities	<u>134,447</u>	<u>204,466</u>	<u>202,221</u>
Net deferred tax liability	(43,093)	(44,318)	(8,594)
Less net deferred tax liability at beginning of period	44,318	8,594	92,609
Net deferred tax liabilities from acquisitions	-	-	329
Bluegreen initial public offering	11,988	-	-
Cumulative effect for excess tax benefits recognized in accumulated earnings associated with share based compensation	(3,054)	-	-
Less change in net deferred tax liability for amounts included			
in other comprehensive income	42	20	(15)
<b>Benefit (provision) for deferred income taxes</b>	<u>\$ 10,201</u>	<u>(35,704)</u>	<u>84,329</u>

On December 22, 2017, the “Tax Cuts and Jobs Act,” was signed into law. In addition to changes or limitations to certain tax deductions, including limitations on the deductibility of interest payable to related and unrelated lenders and further limiting deductible executive compensation, the Tax Cuts and Jobs Act permanently lowered the corporate tax rate to 21% from the existing maximum rate of 35%, effective for tax years commencing January 1, 2018. The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. SAB 118 allows registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations. The Company recorded a provisional tax benefit for the impact of the Tax Cuts and Jobs Act of approximately \$43.1 million in its Consolidated Statement of Operations for the year ended December 31, 2017. The \$43.1 million tax benefit is net of a decrease in the valuation allowance of \$34.2 million. This tax benefit is comprised of the remeasurement of our federal net deferred tax liabilities resulting from the permanent reduction in the corporate tax rate from 35% to 21%.

The impact of the Tax Cuts and Jobs Act may differ, possibly materially, from the provisional amounts due to among other things, additional analysis, changes in interpretations and assumptions made by the Company and additional regulatory guidance that may be issued. Any such revisions will be treated in accordance with the measurement period guidance outlined in SAB 118. As such, the Company expects to complete its analysis no later than December 22, 2018.

The Company evaluates its deferred tax assets to determine if valuation allowances are required. In the evaluation, management considers net operating loss (“NOL”) carry-back availability, expectations of sufficient future taxable income, trends in earnings, existence of taxable income in recent years, the future reversal of temporary differences, and available tax planning strategies that could be implemented, if required. Valuation allowances are established based on the consideration of all available evidence using a more likely than not standard. Based on the Company’s evaluations, which are discussed in further detail below, the deferred tax valuation allowances increased by \$25,000 and \$3.8 million for the years ended December 31, 2017 and 2016, respectively, and decreased by \$127.8 million for the years ended December 31, 2015.

At December 31, 2014, the Company had maintained a valuation allowance against deferred tax assets of \$255.9 million as the Company, BCC and Bluegreen filed separate group federal and state tax returns. A substantial portion of these deferred tax assets were attributable to federal and state net operating loss carry forwards. As a separate tax return filer, the Company maintained a full valuation allowance against certain deferred tax assets based on the Company’s determination that it was more likely than not that these deferred tax assets would not be realized. As a result of the increase in the company’s ownership interest in BCC completed on April 30, 2015, the Company currently files a consolidated group tax return with all of its U.S. subsidiaries from May 1, 2015 forward. As a consequence, a substantial portion of the Company’s net operating losses and other deductible temporary differences were utilized in the Company’s consolidated tax returns without limitation subsequent to May 1, 2015.

The Company will continue to evaluate the positive and negative evidence available in subsequent periods and adjust its remaining valuation allowance to reflect the amount of net deferred tax assets it determines are more likely than not to be realized.

The Company has established a valuation allowance of \$102.2 million relating to the deferred tax asset of \$148.7 million for federal and state NOL and tax credit carryforwards. The Company’s ability to utilize a portion of these carryforwards to reduce future tax liability income is subject to significant limitations. The following table summarizes the federal and State NOL and tax credit carryforwards and the applicable 2017 valuation allowance (in thousands):

	Federal and State NOL and Credit Carryforward	Gross Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	Year Expires
Federal NOL	\$ 18,470	3,879	-	3,879	2032-2034
Florida NOL-BBX	73,504	3,194	-	3,194	2030-2034
Non-Florida State NOLs- Bluegreen	240,000	11,001	2,442	8,559	2018-2037
Alternative minimum tax credit	28,611	28,611	-	28,611	Refundable
Federal NOL SRLY Limitation	227,595	47,795	47,795	-	2026-2034
Florida NOL SRLY Limitation	749,212	32,554	32,554	-	2026-2034
Other Federal tax credits- SRLY Limitation	2,372	2,372	2,372	-	2025-2031
Federal NOL Section 382 Limitation	74,471	15,473	13,486	1,987	2023-2029
Florida NOL Section 382 Limitation	64,866	2,796	2,529	267	2024-2029
Canadian NOL	2,900	713	713	-	2033-2037
Canadian capital losses	2,220	277	277	-	Do not expire
Total	\$	<u>148,665</u>	<u>102,168</u>	<u>46,497</u>	

The Company evaluated all positive and negative evidence available as of the reporting date, including tax planning strategies, the ability to file a consolidated return with its subsidiaries, the expected future reversal of existing taxable temporary differences, and expected future taxable income (primarily from Bluegreen) exclusive of reversing temporary differences and carry forwards. Based on this evaluation, the Company has determined that it is more likely than not that it will be able to realize \$46.5 million of the deferred tax asset that is attributed to the Company’s federal and state NOL and credit carryforwards.



As of December 31, 2017, the Company had estimated federal and Florida NOL carryforwards of approximately \$18.5 million and \$73.5 million, respectively (which expire from 2030 through 2034) that are not subject to any limitation and can be applied to the taxable income of any subsidiary of the Company. No valuation allowance is needed for these NOLs.

As of December 31, 2017, Bluegreen had non-Florida state NOL carryforwards of \$240.0 million, which expire from 2018 through 2037. These NOLs can only be utilized against Bluegreen's (or a subsidiary of Bluegreen) income allocable to the state that the NOL was generated from. A valuation allowance is maintained for those state NOLs where the NOL is not more likely than not realizable.

The Company had alternative minimum tax credit carryforwards of \$28.6 million. The Tax Cuts and Jobs Act repealed the alternative minimum tax effective in 2018 and allows the credit to be applied to fully offset regular income taxes. Any credits that are not used to reduce regular income tax is refundable at 50% for the years 2018 through 2020 and 100% refundable in 2021. No valuation allowance is needed for these credits.

The Company's deferred tax asset at December 31, 2017 includes federal and Florida NOL carryforwards and federal tax credit carryforwards that can only be utilized if the separate entity that generated them has separate company taxable income ("SRLY NOL Limitation"). These carryforwards cannot be utilized against most of the Company's subsidiaries' taxable income, including Bluegreen. As such, a full valuation allowance has been established for these carryforwards.

In addition, as a result of the Company's merger with Woodbridge in September 2009, the Company experienced a "change of ownership" as that term is defined in the Internal Revenue Code. This change of ownership resulted in a significant limitation of the amount of the Company's pre-merger net operating losses that can be utilized by the Company annually (the "Section 382 limitation"). The federal and Florida annual limit is approximately \$788,000 and \$513,000, respectively. As a result, a valuation allowance has been established for these NOLs to the extent that they may expire before they can be utilized.

As of December 31, 2017, BBX Capital's Canadian subsidiaries had NOL carryforwards. As the Canadian operation have had cumulative taxable losses in recent years, a full valuation allowance has been applied to these NOL carryforwards. In addition, one of the Canadian subsidiaries has a capital loss carryforward that can only be used to reduce capital gains and the tax on Canadian capital gains is 50% of the Canadian tax rate. Canadian capital loss carryforwards do not expire. A full valuation allowance is maintained for the Canadian capital loss carryforward as it is unlikely that the Canadian subsidiary will generate capital gains in the future.

On September 21, 2009, the Company adopted a shareholder rights agreement aimed at protecting its ability to use available NOLs to offset future taxable income. See Note 19 for additional information regarding the Company's rights agreement.

The Company evaluates its tax positions based upon guidelines of ASC 740-10, Income Tax, which clarifies the accounting for uncertainty in tax positions. Based on an evaluation of uncertain tax provisions, the Company is required to measure tax benefits based on the largest amount of benefit that is greater than 50% likely of being realized upon settlement. There were no unrecognized tax benefits at December 31, 2017, 2016 or 2015.

The Company is no longer subject to federal or Florida income tax examinations by tax authorities for tax years before 2014. Several of the Company's subsidiaries are no longer subject to income tax examinations in certain state, local and non-U.S. jurisdictions for tax years before 2012.

Certain of the Company's state income tax filings are under routine examination. While there is no assurance as to the results of these audits, the Company does not currently anticipate any material adjustments in connection with these examinations.

## 15. Commitments and Contingencies

The Company and its subsidiaries are lessees under various operating leases for real estate and equipment. At December 31, 2017, the approximate minimum future rental payments under such leases for the periods shown are (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2018 \$	26,736
2019	23,992
2020	22,096
2021	21,122
2022	18,207
Thereafter	47,177
Total \$	<u>159,330</u>

Certain of the Company's leases give the Company options to renew the lease at a stipulated rental amount for additional five to seven year periods.

The Company incurred rent expense as follows (in thousands):

		<u>For the Years Ended December 31,</u>		
		<u>2017</u>	<u>2016</u>	<u>2015</u>
Rental expense for premises and equipment	\$	<u>30,832</u>	<u>18,706</u>	<u>16,645</u>

In the ordinary course of business, BBX Capital and its subsidiaries are parties to lawsuits as plaintiff or defendant involving its operations and activities. Bluegreen is subject to claims or proceedings from time to time relating to the purchase, sale, marketing, or financing of VOIs. Bluegreen is also subject to certain matters relating to the Bluegreen Communities' business, substantially all of the assets of which were sold by us on May 4, 2012. Additionally, from time to time in the ordinary course of business, Bluegreen is involved in disputes with existing and former employees, vendors, taxing jurisdictions and various other parties, and Bluegreen receives individual consumer complaints, as well as complaints received through regulatory and consumer agencies, including Offices of State Attorneys General. Bluegreen takes these matters seriously and attempts to resolve any such issues as they arise.

Reserves are accrued for matters in which management believes it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. Management does not believe that the aggregate liability relating to known contingencies in excess of the aggregate amounts accrued will have a material impact on the Company's results of operations or financial condition. However, litigation is inherently uncertain and the actual costs of resolving legal claims, including awards of damages, may be substantially higher than the amounts accrued for these claims and may have a material adverse impact on the Company's results of operations or financial condition.

Adverse judgements and the costs of defending or resolving legal claims may be substantial and may have a material adverse impact on the Company's financial statements. Management is not at this time able to estimate a range of reasonably possible losses with respect to matters in which it is reasonably possible that a loss will occur. In certain matters, management is unable to estimate the loss or reasonable range of loss until additional developments provide information sufficient to support an assessment of the loss or reasonable range of loss. Frequently in these matters, the claims are broad, and the plaintiffs have not quantified or factually supported their claim.

The following is a description of certain ongoing litigation matters:

### **BBX Capital Litigation**

#### ***Securities and Exchange Commission Complaint***

In 2012, the SEC brought an action in the United States District Court for the Southern District of Florida against BCC and Alan B. Levan, BCC's Chairman and Chief Executive Officer. Following an initial trial in 2014 and the reversal on appeal of certain judgments of the district court by the Eleventh Circuit Court of Appeals, a second trial

was held in 2017, and on May 8, 2017, the jury rendered a verdict in favor of BCC and Mr. Levan and against the SEC on all counts.

In connection with the Eleventh Circuit Court of Appeals' reversal of certain judgments in the first trial, which became final on January 31, 2017, and the resolution of the matter in favor of BCC and Mr. Levan in the second trial, BBX Capital received legal fees and costs reimbursements from its insurance carrier of approximately \$8.6 million as well as the release of the \$4.6 million penalty assessed against BCC in the first trial. The legal fees and costs reimbursements and the release of the penalty are reflected in the Company's Statement of Operations in "Litigation Costs and penalty reimbursements" for the year ended December 31, 2017.

#### ***In Re BCC Merger Shareholder Litigation***

On August 10, 2016, Shiva Stein filed a lawsuit against the Company, BBX Merger Sub, LLC, BCC and the members of BCC's board of directors, which seeks to establish a class of BCC's shareholders and challenges the Merger. The plaintiff asserts that the Merger consideration undervalues BCC and is unfair to BCC's public shareholders, that the sales process was unfair and that BCC's directors breached their fiduciary duties of care, loyalty and candor owed to the public shareholders of BCC because, among other reasons, they failed to take steps to maximize the value of BCC to its public shareholders and instead diverted consideration to themselves. The lawsuit also alleges that BBX Capital, as the controlling shareholder of BCC, breached its fiduciary duties of care, loyalty and candor owed to the public shareholders of BCC by utilizing confidential, non-public information to formulate the Merger consideration and not acting in the best interests of BCC's public shareholders. In addition, the lawsuit includes a cause of action against BCC, the Company and Merger Sub for aiding and abetting the alleged breaches of fiduciary duties. The lawsuit requested that the court grant an injunction blocking the proposed Merger or, if the proposed Merger is completed, rescind the transaction or award damages as determined by the court. On September 15, 2016, Defendants filed a Motion to Dismiss the amended complaint. On November 21, 2016, the Court issued an order granting the Motion to Dismiss with prejudice. Plaintiff appealed the Court's order dismissing the amended complaint to the Fourth District Court of Appeals and on January 9, 2018, the Fourth District Court of Appeals held oral argument on the appeal. The Company believes that the appeal is without merit and intends to continue vigorously defending the action.

#### **Bluegreen Litigation**

Commencing in 2015, it came to Bluegreen's attention that its collection efforts with respect to its VOI notes receivable were being impacted by a then emerging industry-wide trend involving the receipt of "cease and desist" letters from attorneys purporting to represent certain VOI owners. Following receipt of these letters, Bluegreen is unable to contact the owners unless allowed by law. Bluegreen believes these attorneys have encouraged such owners to become delinquent and ultimately default on their obligations and that such actions and Bluegreen's inability to contact the owners are a primary contributor to the increase in its annual default rates. Bluegreen's average annual default rates have increased from 6.9% in 2015 to 8.5% in 2017. Bluegreen also estimates that approximately 9.3% of the total delinquencies on its VOI notes receivable as of December 31, 2017 related to VOI notes receivable subject to these letters. Bluegreen has in a number of cases pursued, and may in the future pursue, legal action against the VOI owners.

On August 24, 2016, Whitney Paxton and Jeff Reeser filed a lawsuit against Bluegreen Vacations Unlimited, Inc. ("BVU"), a wholly-owned subsidiary of Bluegreen, and certain of its employees (collectively, the "Defendants"), seeking to establish a class action of former and current employees of BVU and alleging violations of plaintiffs' rights under the Fair Labor Standards Act of 1938 (the "FLSA") and breach of contract. The lawsuit also claims that the Defendants terminated plaintiff Whitney Paxton as retaliation for her complaints about alleged violations of the FLSA. The lawsuit seeks damages in the amount of the unpaid compensation owed to the plaintiffs. During July 2017, a magistrate judge entered a report and recommendation that the plaintiffs' motion to conditionally certify collective action and facilitate notice to potential class members be granted with respect to certain employees and denied as to others. During September 2017, the judge accepted the recommendation and granted preliminary approval of class certification. Bluegreen believes that the lawsuit is without merit and intend to vigorously defend the action.

On September 22, 2017, Stephen Potje, Tamela Potje, Sharon Davis, Beafus Davis, Matthew Baldwin, Tammy Baldwin, Arnor Lee, Angela Lee, Gretchen Brown, Paul Brown, Jeremy Estrada, Emily Estrada, Guillermo Astorga Jr., Michael Oliver, Carrie Oliver, Russell Walters, Elaine Walters, and Mike Ericson, individually and on behalf of all other similarly situated, filed a lawsuit against Bluegreen which asserts claims for alleged violations of the Florida Deceptive and Unfair Trade Practices Act and the Florida False Advertising Law. In the complaint, the plaintiffs allege the making of false representations in connection with Bluegreen's sales of VOIs, including representations regarding the ability to use points for stays or other experiences with other vacation providers, the ability to cancel VOI purchases



and receive a refund of the purchase price, the ability to roll over unused points and that annual maintenance fees would not increase. The complaint seeks to establish a class of consumers who, since the beginning of the applicable statute of limitations, have purchased VOIs from Bluegreen, had their annual maintenance fees relating to Bluegreen VOIs increased, or were unable to roll over their unused points to the next calendar year. The lawsuit alleges damages in excess of \$5.0 million and seeks damages in the amount alleged to have been improperly obtained by Bluegreen, as well as any statutory enhanced damages, attorneys' fees and costs, and equitable and injunctive relief. On November 20, 2017, Bluegreen moved to dismiss the complaint and, in response, the plaintiffs filed an amended complaint dropping the claims relating to the Florida Deceptive and Unfair Trade Practices Act and adding claims for fraud in the inducement and violation of the Florida Vacation Plan and Timesharing Act. Bluegreen filed a motion to dismiss the amended complaint which is currently pending before the court. Bluegreen's management believes that the lawsuit is without merit and intends to vigorously defend the action.

On January 4, 2018, Gordon Siu, individually and on behalf of all others similarly situated, filed a lawsuit alleging that Bluegreen Vacations and Choice Hotels violated California state privacy laws by recording and/or monitoring a telemarketing call to the plaintiff without his consent. The plaintiff claims the individual making the call requested that the plaintiff provide personal and private information and did not disclose that the call was being recorded until after making such request. The plaintiff seeks certification of a class of persons in California whose telephone conversations were monitored, recorded and/or eavesdropped upon without their consent by Bluegreen and/or Choice Hotels and damages of \$5,000 per violation. Bluegreen believes that the lawsuit is without merit and intends to vigorously defend the action.

Bluegreen has an exclusive marketing agreement with Bass Pro, a nationally-recognized retailer of fishing, marine, hunting, camping and sports gear, that provides Bluegreen with the right to market and sell vacation packages at kiosks in each of Bass Pro's retail locations and through other means. As of December 31, 2017, Bluegreen sold vacation packages in 68 of Bass Pro's stores. In exchange, Bluegreen compensates Bass Pro based on VOI sales generated through the program. No compensation is paid to Bass Pro under the agreement on sales made at Bluegreen/Big Cedar Vacations' resorts. During the years ended December 31, 2017, 2016 and 2015, VOI sales to prospects and leads generated by the agreement with Bass Pro accounted for approximately 15%, 16% and 20%, respectively, of Bluegreen's VOI sales volume. On October 9, 2017, Bass Pro advised Bluegreen that it believes the amounts paid to it as VOI sales commissions should not have been adjusted for certain purchaser defaults. Bluegreen previously informed Bass Pro that the aggregate amount of such adjustments for defaults charged back to Bass Pro between January 2008 and June 2017 totaled approximately \$4.8 million. Bluegreen believes these chargebacks were appropriate and consistent with the terms and intent of the agreements with Bass Pro, and Bluegreen is continuing to discuss the matter with Bass Pro. On October 20, 2017, in order to demonstrate good faith, Bluegreen paid this amount to Bass Pro pending a resolution of the matter in the ordinary course. Bluegreen recognized the \$4.8 million payment as general and administrative expense during the fourth quarter of 2017. In addition, the resolution of the matter may adversely impact our future marketing expenses.

**The following is a description of certain commitments and guarantees:**

In lieu of paying maintenance fees for unsold VOI inventory, Bluegreen provides subsidies to certain homeowners' associations to provide for funds necessary to operate and maintain vacation ownership properties in excess of assessments collected from owners of the VOIs. During the years ended December 31, 2017, 2016 and 2015, Bluegreen made subsidy payments, included within cost of other fee-based services, in connection with these arrangements of \$12.6 million, \$13.9 million and \$15.8 million, respectively. As of December 31, 2017 and 2016, Bluegreen had no accrued liabilities for such subsidies. As of December 31, 2017 and 2016, Bluegreen was providing subsidies to nine homeowners' associations.

In October 2013, Bluegreen entered into an agreement to purchase from an unaffiliated third party completed VOI inventory at the Lake Eve Resort in Orlando, Florida over a five-year period. The total purchase commitment was \$35.1 million, of which \$8.9 million and \$5.4 million of inventory was purchased in 2017 and 2016, respectively. As of December 31, 2017, \$4.6 million of the Lake Eve Resort purchase commitment remained.

During August 2016, the Company entered into a severance arrangement with an executive. Under the terms of the arrangement, the executive will receive \$3.7 million over a three year period ending in August 2019. As of December 31, 2017, \$1.9 million was left to be paid under this agreement.

In September 2017, Bluegreen entered into an agreement with an executive in connection with his retirement. Pursuant to the terms of the agreement, Bluegreen agreed to make payments totaling approximately \$2.9 million through March 2019. The amount payable under the agreement was accrued as of December 31, 2017 and is included in selling,



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general and administrative expenses for the year ended December 31, 2017. As of December 31, 2017, Bluegreen had a \$2.6 million liability remaining under this agreement. Also, during the second half of 2017, Bluegreen implemented an initiative designed to streamline their operations in certain areas to facilitate future growth. Such initiative resulted in \$5.8 million of severance expense for the year ended December 31, 2017, \$1.9 million of which will be paid in 2018.

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

- During the year ended December 31, 2014, the Sunrise and Bayview Partners, LLC joint venture owned 50% by Procacci Bayview, LLC and 50% by a subsidiary of the Company refinanced its land acquisition loan with a financial institution. BBX Capital provided the financial institution with a guarantee of 50% of the outstanding balance of the joint venture's loan which had an outstanding balance of \$5.0 million as of December 31, 2017.
- BBX Capital is a guarantor on a \$1.5 million note payable of Anastasia, a wholly-owned subsidiary of BBX Sweet Holdings, owed to the former owner of Anastasia. The Anastasia note payable is collateralized by the common stock of Anastasia.
- BBX Sweet Holdings and BBX Capital are guarantors of a \$1.5 million note payable of Hoffman's Chocolates, a wholly-owned subsidiary of BBX Sweet Holdings, owed to Centennial Bank. This note payable is collateralized by approximately \$2.0 million of properties and equipment.
- In October 2017, a wholly-owned subsidiary of the Company issued a \$3.4 million unsecured note to the seller of real estate to the Chapel Grove joint venture in which the subsidiary has a 46.75% equity interest. The unsecured note was part of the subsidiary's initial capital contribution to the Chapel Trail real estate joint venture. The note is not secured by the joint venture property and BBX Capital guarantees the repayment of the unsecured note.
- On August 7, 2015, BBX Sweet Holdings entered into a Loan and Security Agreement and related agreements with Iberiabank, which provides for borrowings by BBX Sweet Holdings of up to \$5.0 million on a revolving basis. The facility is secured by the assets of BBX Sweet Holdings and its subsidiaries and is guaranteed by BBX Capital.
- The Company's wholly-owned subsidiary, Food for Thought Restaurant Group, LLC enters into lease agreements for MOD restaurant locations. As of December 31, 2017, the Company is a guarantor on two of the lease agreements with an aggregate lease obligation of \$1.3 million.

## **16. Stock Incentive Plans**

### ***Restricted Stock and Stock Options Plans***

The Company has three share-based compensation plans as of December 31, 2017: the BBX Capital Corporation 2014 Incentive Plan (the "2014 Plan"), the BBX Capital 2005 Restricted Stock and Option Plan, and the BBX Capital 2014 Stock Incentive Plan. The BBX Capital 2005 Restricted Stock and Option Plan and the BBX Capital 2014 Stock Incentive Plan are collectively referred to as the "BCC Equity Compensation Plans".

The Company assumed the BCC Equity Compensation Plans upon consummation of the Merger with BCC on December 15, 2016 (see Note 3 – Acquisitions and Merger). Pursuant to the Merger Agreement, awards outstanding under the BCC Equity Compensation Plan at December 15, 2016 continue to be outstanding and governed by the BCC Equity Compensation Plans, except that such awards were converted into awards that are eligible to be settled in shares of the Company's Class A Common Stock resulting in the issuance of 5,090,354 of restricted shares of the Company's Class A Common Stock and non-qualifying stock options to acquire 35,716 shares of the Company's Class A Common Stock at December 15, 2016. No further awards will be granted under the BCC Equity Compensation Plans.

The maximum term of incentive and non-qualifying stock options issuable under the 2014 Plan is ten years. Vesting is established by the Compensation Committee of the board of directors in connection with each grant of options or restricted stock awards. There were no options issued or outstanding under the 2014 Plan as of December 31, 2017.

Compensation expense for stock options and restricted common stock awards is based on the fair value of the award on the measurement date, which is generally the grant date. The fair value of the Company's stock options is estimated using the Black-Scholes option-pricing model. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the awards. Forfeitures are recognized when they occur.



There were no options granted to employees or non-employee directors during the three year period ended December 31, 2017. As described below, the Company issued restricted stock awards to certain officers for each of the years in the two year period ended December 31, 2016. There were no restricted stock awards issued during the year ended December 31, 2017. However, on January 9, 2018, the Company's Compensation Committee of the board of directors granted awards of 1,487,051 restricted shares of the Company's Class B Common Stock to the Company's executive officers under the 2014 Plan. The aggregate grant date fair value of the January 2018 awards was \$12.9 million and the shares vest ratably in annual installments of approximately 372,000 shares over four years beginning on October 1, 2018

The following table sets forth information on outstanding options:

	<b>Outstanding Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value (\$000)</b>
Outstanding at December 31, 2016	186,791	\$ 3.59	1.24	\$ 675
Exercised	(151,075)	0.41		881
Forfeited	(8,370)	43.43		
Expired	-	0.00		
Outstanding at December 31, 2017	<u>27,346</u>	<u>\$ 8.98</u>	<u>0.43</u>	
Exercisable at December 31, 2017	<u>27,346</u>	<u>\$ 8.98</u>	<u>0.43</u>	
Available for grant at December 31, 2017	<u>2,228,802</u>			

The 2014 Plan permits the issuance of awards for up to 500,000 shares of the Company's Class A Common Stock and up to 9,500,000 shares of the Company's Class B Common Stock. Awards for up to 17,776 shares of Class A Common Stock and 2,211,026 shares of Class B Common Stock remained available for grant under the 2014 Plan as of December 31, 2017, although on January 9, 2018, awards of 1,481,051 restricted shares of the Company's Class B Common Stock were granted to the Company's executive officers under the 2014 Plan.

There was no unearned compensation cost related to the Company's stock options as all options were vested as of December 31, 2017.

During the years ended December 31, 2017, 2016 and 2015, the Company received net proceeds of approximately \$63,000, \$10,000 and \$10,000, respectively, upon the exercise of stock options. The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was \$881,000, \$143,000 and \$85,000, respectively.

The following is a summary of the Company's non-vested restricted stock and restricted stock units activity:

	<b>Non-vested Restricted Stock</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at December 31, 2016	11,131,996	\$ 2.74
Granted	-	-
Vested	(6,137,481)	2.22
Forfeited	-	-
Outstanding at December 31, 2017	<u>4,994,515</u>	<u>\$ 3.39</u>

The following table indicates the grant date, the number of restricted stock awards granted, the per share weighted average grant date fair value and the requisite service period for restricted stock awards granted during the years ended December 31, 2016 and 2015:

<u>Grant Date</u>		<u>Number of Awards Granted</u>	<u>Per Share Weighted Average Grant Date Fair Value</u>	<u>Requisite Service Period (3)</u>
9/1/2015	(1)	2,372,592	\$ 3.16	4 years
12/15/2016	(2)	5,090,354	2.74	1.63 Years
12/22/2016	(1)	1,823,565	4.3	4 years

- (1) The awards are issuable in shares of Class B Common Stock.
- (2) Pursuant to the Merger Agreement the Company assumed and adopted the BCC Equity Compensation Plans as of December 15, 2016 and 942,657 shares of BCC's restricted stock units were retired in exchange for restricted stock units with respect to approximately 5.1 million shares of the Company's Class A Common Stock with a weighted average requisite service period of 1.63 years.
- (3) The awards vest ratable in annual installments over the requisite service period.

Between September 30, 2017 through October 8, 2017, award recipients surrendered a total of 2,394,492 shares of Class A Common Stock and 176,132 shares of Class B Common Stock to the Company to satisfy the \$19.0 million tax withholding obligation associated with the vesting of 6,137,481 restricted shares. The Company retired the surrendered shares.

The fair value of shares of BBX Capital's restricted stock awards which vested during the years ended December 31, 2017, 2016 and 2015 was \$45.2 million, \$10.3 million and \$10.7 million, respectively. BBX Capital recognized restricted stock compensation expense of approximately \$12.3 million, \$6.4 million and \$5.6 million and recognized tax benefits of \$0.4 million, \$0.8 million and \$0.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The fair value of restricted shares of BCC's stock when vested during the years ended December 31, 2016 and 2015 was \$10.0 million and \$6.0 million, respectively.

Included in the Company's Consolidated Statements of Operations and Comprehensive Income is \$6.1 million and \$5.5 million of share-based compensation expense related to BCC for the years ended December 31, 2016 and 2015, respectively. BCC recognized tax benefits of \$0.7 million and \$0.4 for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2017, the total unrecognized compensation cost related to the Company's non-vested restricted stock compensation was approximately \$14.8 million. The cost is expected to be recognized over a weighted-average period of approximately 1.88 years.

## **17. Employee Benefit Plans and Incentive Compensation Program**

### ***Defined Contribution 401(k) Plan***

BBX Capital and its subsidiaries sponsor three Employee Retirement Plans under Internal Revenue Code Section 401(k). Generally, employees who have completed 90 days of service and have reached the age of 21 are eligible to participate in the 401(k) plans. For the year ending December 31, 2017, an eligible employee under the plan was entitled to contribute up to \$18,000, while an eligible employee over 50 years of age was entitled to contribute up to \$24,000. During the years ended December 31, 2017, 2016 and 2015, the Company generally matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. In general, the match amounts vest immediately. Further, Bluegreen may make additional discretionary matching contributions to its 401(k) retirement plan not to exceed 4% of each participant's compensation. For the years ended December 31, 2017, 2016 and 2015, the Company recorded expense for contributions to the 401(k) plans totaling approximately \$5.7 million, \$5.5 million and \$5.3 million, respectively.

## **18. Redeemable 5% Cumulative Preferred Stock**

The Company has outstanding 15,000 shares of 5% Cumulative Preferred Stock at a stated value of \$1,000 per share. The shares of 5% Cumulative Preferred Stock are redeemable at the option of the Company, from time to time, at a redemption price of \$1,000 per share. Shares of the 5% Cumulative Preferred Stock are also subject to mandatory redemption as described below. The 5% Cumulative Preferred Stock's liquidation preference is equal to its stated value of \$1,000 per share plus any accumulated and unpaid dividends or an amount equal to the applicable redemption price in a voluntary liquidation or winding up of the Company. Holders of the 5% Cumulative Preferred Stock have no voting rights, except as provided by Florida law, and are entitled to receive, when and as declared by the Company's board of directors, cumulative quarterly cash dividends on each such share at a rate per annum of 5% of the stated value from the date of issuance. The Company pays regular quarterly cash dividends of \$187,500 on its 5% Cumulative Preferred Stock. The 5% Cumulative Preferred Stock is subject to mandatory redemption and accordingly is classified as a liability in the Company's Consolidated Statements of Financial Condition. The Company is required to redeem the preferred shares in \$5.0 million annual payments in each of the years ending December 31, 2018, 2019 and 2020. During December 2013, the Company made a \$5.0 million loan to the holders of the 5% Cumulative Preferred Stock. The loan is secured by 5,000 shares of the 5% Cumulative Preferred Stock, has a term of five years, accrues interest at a rate of 5% per annum and provides for payments of interest only on a quarterly basis during the term of the loan, with all outstanding amounts being due and payable at maturity in December 2018.

For the years ended December 31, 2017, 2016 and 2015, the Company recorded interest expense in its Consolidated Statements of Operations and Comprehensive Income of \$1.2 million, \$1.2 million and \$1.1 million, respectively, of which \$750,000 was paid during each of these three years as dividends on the 5% Cumulative Preferred Stock.

## **19. Common Stock**

The Company's Articles of Incorporation authorize the Company to issue both Class A Common Stock, par value \$.01 per share, and Class B Common Stock, par value \$.01 per share. Under Florida law and the Company's Articles of Incorporation, holders of the Company's Class A Common Stock and Class B Common Stock vote together as a single class on most matters presented to a vote of the Company's shareholders. On such matters, holders of the Company's Class A Common Stock are entitled to one vote for each share held, with all holders of Class A Common Stock possessing in the aggregate 22% of the total voting power. Holders of Class B Common Stock possess the remaining 78% of the total voting power. If the number of shares of Class B Common Stock outstanding decreases to 1,800,000 shares, the Class A Common Stock's aggregate voting power will increase to 40% and the Class B Common Stock will have the remaining 60%. If the number of shares of Class B Common Stock outstanding decreases to 1,400,000 shares, the Class A Common Stock's aggregate voting power will increase to 53% and the Class B Common Stock will have the remaining 47%. These relative voting percentages will remain fixed unless the number of shares of Class B Common Stock outstanding decreases to 500,000 shares or less, at which time the fixed voting percentages will be eliminated, and holders of Class A Common Stock and holders of Class B Common Stock would then each be entitled to one vote per share held. Each share of Class B Common Stock is convertible at the option of the holder thereof into one share of Class A Common Stock.

On September 21, 2009, the Company adopted a rights agreement ("Rights Agreement") designed to preserve shareholder value and protect our ability to use available net operating loss carryforwards to offset future taxable income. The Rights Agreement provides a deterrent to shareholders from acquiring a 5% or greater ownership interest in the Company's Class A Common Stock and Class B Common Stock, taken as a whole, without the prior approval of the board of directors. Shareholders of the Company at September 21, 2009 were not required to divest any shares.

On September 21, 2009, the board of directors approved a share repurchase program which authorizes the repurchase of up to 20,000,000 shares of the Company's Class A and Class B Common Stock at an aggregate cost of no more than \$10.0 million.

During April 2017, the Company purchased 1.0 million shares of its Class A Common Stock for approximately \$6.2 million. During April 2016, the Company repurchased 1.0 million shares of its Class A Common Stock for approximately \$3.0 million.

On June 13, 2017, the board of directors approved a share repurchase program which replaced the September 2009 share repurchase program and authorizes the repurchase of up to 5,000,000 shares of the Company's Class A Common Stock and Class B Common Stock at an aggregate cost of up to \$35.0 million. As of December 31, 2017, 321,593



shares of the Company's Class A Common Stock have been repurchased for approximately \$2.4 million under the June 2017 share repurchase program.

On September 4, 2015, the Company entered into Share Exchange Agreements with Alan B. Levan, John E. Abdo, Jarett S. Levan and Seth M. Wise as holders of restricted stock units of Class A Common Stock of BCC. See Note 23 for information regarding the options exercised by the Company and the share exchanges consummated under the Share Exchange Agreements during 2016. Upon the Company's adoption of the BCC Equity Compensation Plans in connection with the Merger Agreement on December 15, 2016, the Share Exchange Agreements were terminated.

## 20. Noncontrolling Interests and Redeemable Noncontrolling Interest

The following table summarizes the noncontrolling interests in the Company's subsidiaries at December 31, 2017 and 2016 (in thousands):

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Bluegreen Vacations <sup>(1)</sup>	\$ 38,223	-
Bluegreen / Big Cedar Vacations <sup>(2)</sup>	42,286	40,773
Joint ventures and other	(238)	77
Total noncontrolling interests	<u>\$ 80,271</u>	<u>40,850</u>

Included in the Company's Consolidated Statement of Financial Condition as of December 31, 2017 was a \$2.8 million redeemable noncontrolling interest associated with the IT'SUGAR acquisition. The Company owns 90.4% of IT'SUGAR's Class B Units and the remaining 9.6% of IT'SUGAR's Class B Units represent a redeemable noncontrolling interest.

The following table summarizes the income recognized with respect to the Company's subsidiaries attributable to noncontrolling interests for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	<u>For the Years Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bluegreen Vacations <sup>(1)</sup>	\$ 5,639	-	-
Bluegreen / Big Cedar Vacations <sup>(2)</sup>	12,784	9,826	11,705
BCC	-	3,489	4,964
Joint ventures and other	(21)	(20)	2,136
Net income attributable to noncontrolling interests	<u>\$ 18,402</u>	<u>13,295</u>	<u>18,805</u>

(1) Subsequent to Bluegreen's IPO in November 2017, the Company owns 90% of Bluegreen. Bluegreen was a wholly-owned subsidiary of the Company prior to the Bluegreen IPO.

(2) Bluegreen Vacations has a joint venture arrangement pursuant to which, Bluegreen owns 51% of Bluegreen/Big Cedar Vacations.



## 21. Earnings Per Common Share

The following table presents the computation of basic and diluted earnings per common share attributable to shareholders for the years ended December 31, 2017, 2016 and 2015 (in thousands, except per share data):

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Basic earnings per common share</b>			
<b>Numerator:</b>			
Net income	\$ 100,597	41,657	141,279
Less: Net income attributable to noncontrolling interests	<u>18,402</u>	<u>13,295</u>	<u>18,805</u>
Net income available to shareholders	<u>\$ 82,195</u>	<u>28,362</u>	<u>122,474</u>
<b>Denominator:</b>			
Basic weighted average number of common shares outstanding	<u>98,745</u>	<u>86,902</u>	<u>87,022</u>
<b>Basic earnings per common share</b>	<u>\$ 0.83</u>	<u>0.33</u>	<u>1.41</u>
<b>Diluted earnings per common share</b>			
<b>Numerator:</b>			
Net income available to shareholders	<u>\$ 82,195</u>	<u>28,362</u>	<u>122,474</u>
<b>Denominator:</b>			
Basic weighted average number of common shares outstanding	<u>98,745</u>	<u>86,902</u>	<u>87,022</u>
Effect of dilutive stock-based compensation	<u>5,171</u>	<u>590</u>	<u>186</u>
Diluted weighted average number of common shares outstanding	<u>103,916</u>	<u>87,492</u>	<u>87,208</u>
<b>Diluted earnings per common share</b>	<u>\$ 0.79</u>	<u>0.32</u>	<u>1.40</u>

During the year ended December 31, 2017, there were no restricted stock awards that were anti-dilutive and options to acquire 27,346 shares of Class A common stock were anti-dilutive. During the year ended December 31, 2016, approximately 55,000 restricted stock awards and options to acquire 35,716 shares of Class A common stock were anti-dilutive. During the year ended December 31, 2015, there were no restricted stock awards or options to acquire shares of common stock that were anti-dilutive.

## 22. Fair Value Measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three main valuation techniques to measure the fair value of assets and liabilities: the market approach, the income approach and the cost approach. The accounting literature defines an input fair value hierarchy that has three broad levels and gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The valuation techniques are summarized below:

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The income approach uses financial models to convert future amounts to a single present amount. These valuation techniques include present value and option-pricing models.

The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. This technique is often referred to as current replacement cost.

The input fair value hierarchy is summarized below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3: Unobservable inputs for the asset or liability

***Assets and liabilities on a recurring basis***

There were no assets or liabilities measured at fair value on a recurring basis in the Company's consolidated financial statements as of December 31, 2017 or 2016.

***Assets on a non-recurring basis***

The following table presents major categories of assets measured at fair value on a non-recurring basis as of December 31, 2017 (in thousands):

Description	Carrying Amount As of December 31, 2017	Fair Value Measurements Using			Total Impairments <sup>(1)</sup> For the Year Ended December 31, 2017
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Impaired real estate held-for-sale	\$ 6,346	-	-	6,346	1,638

(1) Total impairments represent the amount of losses recognized during the year ended December 31, 2017 on assets that were held and measured at fair value as of December 31, 2017.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured at fair-value on a non-recurring basis is as follows (Fair Value in thousands):

As of December 31, 2017 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) <sup>(1)(2)</sup>
Real estate held-for-sale	\$ 6,346	Fair Value of Property	Asset Purchase Agreements or Appraisals	\$0.2 - \$4.3 million (\$1.2 million)

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

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

The following table presents major categories of assets measured at fair value on a non-recurring basis as of December 31, 2016 (in thousands):

Description	Carrying Amount As of December 31, 2016	Fair Value Measurements Using			Total Impairments <sup>(1)</sup> For the Year Ended December 31, 2016
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Loans measured for impairment using the fair value of the underlying collateral	\$ 5,759	-	-	5,759	101
Impaired real estate held-for-sale	5,456	-	-	5,456	3,271
<b>Total</b>	<b>\$ 11,215</b>	<b>-</b>	<b>-</b>	<b>11,215</b>	<b>3,372</b>

(1) Total impairments represent the amount of losses recognized during the year ended December 31, 2016 on assets that were held and measured at fair value as of December 31, 2016.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured at fair value on a non-recurring basis was as follows (Fair Value in thousands):

As of December 31, 2016 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) <sup>(1)(2)</sup>
Loans measured for impairment using the fair value of the underlying collateral	\$ 5,759	Fair Value of Collateral	Discount Rates and Appraised Value less Cost to Sell	\$0.1 - \$0.7 million (\$0.3 million)
Impaired real estate held-for-sale	5,456	Fair Value of Property	Asset Purchase Agreements or Appraised Value less Cost to Sell	\$0.1 - \$1.4 million (\$0.5 million)
<b>Total</b>	<b>\$ 11,215</b>			

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

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

#### ***Liabilities on a non-recurring basis***

There were no liabilities measured at fair value on a non-recurring basis in the Company's consolidated financial statements as of December 31, 2017 or 2016.

#### ***Loans Measured For Impairment***

Impaired loans are generally valued based on the fair value of the underlying collateral less cost to sell as the majority of the Company's loans are collateral dependent. The fair value of the Company's loans may significantly increase or decrease based on changes in property values as its loans are primarily secured by real estate. The Company primarily uses third party appraisals to assist in measuring non-homogenous impaired loans and broker price opinions to assist in measuring homogeneous impaired loans. The appraisals generally use the market or income approach valuation technique and use market observable data to formulate an estimate of the fair value of the loan's collateral. However, the appraiser uses professional judgment in determining the fair value of the collateral. As a consequence, the calculation of the fair value of the collateral is considered a Level 3 input. The Company generally recognizes impairment losses based on third party broker price opinions when impaired homogeneous loans become 120 days delinquent. These third party valuations from real estate professionals also use Level 3 inputs in determining fair values. The observable market inputs used to fair value loans include comparable property sales, rent rolls, market capitalization rates on income producing properties, risk adjusted discount rates and foreclosure time frames and exposure periods.

## Real Estate

Real estate is generally valued using third party appraisals or broker price opinions. These appraisals generally use the market approach valuation technique and use market observable data to formulate an estimate of the fair value of the properties. The market observable data typically consists of comparable property sales, rent rolls, market capitalization rates on income producing properties and risk adjusted discount rates. The above inputs are considered Level 3 inputs as the appraiser uses professional judgement in the calculation of the fair value of the properties.

### Financial Disclosures about Fair Value of Financial Instruments

The following tables present information for consolidated financial instruments at December 31, 2017 and 2016 (in thousands):

	Carrying Amount	Fair Value	Fair Value Measurements Using		
			Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	As of December 31, 2017	As of December 31, 2017			
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 362,526	362,526	362,526	-	-
Restricted cash	46,721	46,721	46,721	-	-
Loans receivable	19,454	21,125	-	-	21,125
Notes receivable, net	431,801	525,000	-	-	525,000
Notes receivable from preferred shareholders <sup>(1)</sup>	5,000	5,000	-	-	5,000
<b>Financial liabilities:</b>					
Receivable-backed notes payable	\$ 421,118	425,900	-	-	425,900
Notes payable and other borrowings	144,114	149,438	-	-	149,438
Junior subordinated debentures	135,414	132,000	-	-	132,000
Mandatorily redeemable cumulative preferred stock	13,974	13,977	-	-	13,977

	Carrying Amount	Fair Value	Fair Value Measurements Using		
			Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	As of December 31, 2016	As of December 31, 2016			
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 299,861	299,861	299,861	-	-
Restricted cash	46,456	46,456	46,456	-	-
Loans receivable	25,521	27,904	-	-	27,904
Notes receivable, net	430,480	545,000	-	-	545,000
Notes receivable from preferred shareholders <sup>(1)</sup>	5,063	4,900	-	-	4,900
<b>Financial liabilities:</b>					
Receivable-backed notes payable	\$ 414,989	420,400	-	-	420,400
Notes payable and other borrowings	133,790	135,404	-	-	135,404
Junior subordinated debentures	152,367	149,200	-	-	149,200
Shares subject to mandatory redemption	13,517	13,600	-	-	13,600

(1) Notes receivable from preferred shareholders is included in other assets in the Company's Consolidated Statements of Financial Condition as of December 31, 2017 and 2016.



Management has made estimates of fair value that it believes to be reasonable. However, because there is no active market for many of these financial instruments, the fair value of these financial instruments has been derived using the income approach technique with Level 3 unobservable inputs. Estimates used in net present value financial models rely on assumptions and judgments regarding issues where the outcome is unknown and actual results or values may differ significantly from these estimates. These fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates. As such, the estimated value upon sale or disposition of the asset may not be received and the estimated value upon disposition of the liability in advance of its scheduled maturity may not be paid.

The amounts reported in the consolidated statements of financial condition, for cash and cash equivalents and restricted cash approximate fair value.

The fair value of the Company's accruing loans is calculated using an income approach with Level 3 inputs by discounting forecasted cash flows using estimated market discount rates. The fair value of non-accruing collateral dependent loans is estimated using an income approach with Level 3 inputs utilizing the fair value of the collateral adjusted for operating and selling expenses and discounted over the estimated holding period based on the market risk inherent in the property.

The fair value of notes receivable and note receivable from preferred shareholders are estimated using Level 3 inputs and is based on estimated future cash flows considering contractual payments and estimates of prepayments and defaults, discounted at a market rate.

The fair value of the 5% Cumulative Preferred Stock, which is subject to mandatory redemption, is calculated using the income approach with Level 3 inputs by discounting the estimated cash flows at a market discount rate.

The amounts reported in the consolidated statements of financial condition relating to Bluegreen's notes payable and other borrowings, including receivable-backed notes payable, approximate fair value for indebtedness that provides for variable interest rates. The fair value of Bluegreen's fixed rate, receivable-backed notes payable was determined using Level 3 inputs by discounting the net cash outflows estimated to be used to repay the debt. These obligations are to be satisfied using the proceeds from the consumer loans that secure the obligations.

The fair value of Community Development Bonds is measured using the market approach with level 3 inputs obtained based on estimated market prices of similar financial instruments. Community Development Bonds are included in notes payable and other borrowings in the above table.

The fair value of other borrowings (other than Bluegreen's notes payable and other borrowings and Community Development Bonds above) is measured using the income approach with Level 3 inputs obtained by discounting the forecasted cash flows based on estimated market rates.

The fair value of junior subordinated debentures is estimated using Level 3 inputs based on the contractual cash flows discounted at a market rate or based on market price quotes from the over-the-counter bond market.

### **23. Certain Relationships and Related Party Transactions**

The Company may be deemed to be controlled by Alan B. Levan, the Company's Chairman and Chief Executive Officer, and John E. Abdo, Vice Chairman of the Company. Together, Mr. Alan Levan and Mr. Abdo may be deemed to beneficially own shares of the Company's Class A Common Stock and Class B Common Stock representing approximately 77% of the Company's total voting power. Mr. Alan B. Levan serves as Chairman of the Board and Mr. John E. Abdo serves as Vice-Chairman of the Board for Bluegreen. Jarett S. Levan is President of the Company, a Director of Bluegreen and son of Alan B. Levan. Further, Seth M. Wise is Executive Vice President and director of the Company and Bluegreen and Raymond S. Lopez is Chief Financial Officer of the Company.

Currently, Woodbridge is a wholly-owned subsidiary of the Company and Woodbridge owns approximately 90% of Bluegreen as of December 31, 2017.

Bluegreen paid or reimbursed the Company \$1.5 million, \$1.3 million and \$1.4 million during 2017, 2016, and 2015, respectively, for management advisory, risk management, administrative and other services.



The Company received \$40.0 million, \$70.0 million and \$54.4 million of dividends from Bluegreen during the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, on January 23, 2018, Bluegreen paid the Company \$10.1 million of dividends.

In April 2015, pursuant to a Loan Agreement and Promissory Note, a wholly owned subsidiary of Bluegreen provided an \$80.0 million loan to BBX Capital. Amounts outstanding on the loan bore interest at a rate of 10% per annum until July 2017 when the interest rate was reduced to 6% per annum. Payments of interest are required on a quarterly basis, with the entire \$80.0 million principal balance and accrued interest being due and payable in April 2020. BBX Capital is permitted to prepay the loan in whole or in part at any time, and prepayments will be required, to the extent necessary, in order for Bluegreen or its subsidiaries to remain in compliance with covenants under outstanding indebtedness. During the years ended December 31, 2017, 2016 and 2015, BBX Capital paid \$6.4 million, \$8.0 million and \$5.6 million, respectively, of interest expense on the loan to Bluegreen. The interest expense was eliminated in consolidation in the Company's consolidated financial statements.

On May 8, 2015, the Company, BCC, Woodbridge, Bluegreen and their respective subsidiaries entered into an Agreement to Allocate Consolidated Income Tax Liability and Benefits pursuant to which, among other customary terms and conditions, the parties agreed to file consolidated federal tax returns. The parties calculate their respective income tax liabilities and attributes as if each of them were a separate filer. If any tax attributes are used by another party to the agreement to offset its tax liability, the party providing the benefit will receive an amount for the tax benefits realized. Bluegreen paid the Company \$39.4 million, \$26.2 million and \$19.2 million during the years ended December 31, 2017, 2016 and 2015, respectively, pursuant to this agreement.

On September 4, 2015, the Company entered into Share Exchange Agreements with Alan B. Levan, John E. Abdo, Jarett S. Levan and Seth M. Wise (collectively, the "BCC RSU Holders") as holders of restricted stock units of Class A Common Stock of BCC ("BCC RSUs"). Pursuant to the Share Exchange Agreements, (a) each BCC RSU Holder granted the Company the option to acquire, simultaneously with the vesting of each BCC RSU, some or all of the shares of BCC's Class A Common Stock which, absent the Share Exchange Agreement, would (after withholding) have been received by the BCC RSU Holder upon the vesting of the BCC RSUs and (b) the Company agreed to issue to the BCC RSU Holder shares of the Company's Class A Common Stock or Class B Common Stock having an aggregate market value equal to the aggregate market value of the shares of BCC's Class A Common Stock acquired by the Company upon the option exercise. Pursuant to the Share Exchange Agreements, the market value of the shares of the Company's Class A Common Stock and Class B Common Stock and of BCC's Class A Common Stock was calculated as the closing price of the applicable company's class of stock on the trading day immediately preceding the date of closing of the share exchange.

On September 12, 2016, the board of directors approved (a) the exercise in full of the Company's options with respect to all of the BCC RSUs held by the BCC RSU Holders which were scheduled to vest between September 30, 2016 and October 4, 2016 and (b) the issuance of shares of the Company's Class B Common Stock in exchange therefor. In addition, during September 2016, each BCC RSU Holder agreed, as a result of the Company's entry into the Merger Agreement on July 27, 2016 and the 5.4 exchange ratio contemplated thereby, to receive no more than 5.4 shares of the Company's Class A Common Stock or Class B Common Stock for each share of BCC's Class A Common Stock subject to vested BCC RSUs with respect to any share exchanges effected during the pendency of the Merger Agreement. Between September 30, 2016 and October 4, 2016, the Company issued a total of 1,530,822 shares of its Class B Common Stock to the BCC RSU Holders and received a total of 283,486 shares of BCC's Class A Common Stock in exchange therefor. Because the exchange ratio calculated by dividing the closing price of BCC's Class A Common Stock on each relevant date by the closing price of the Company's Class B Common Stock on each such date exceeded 5.4, the Company issued 5.4 shares of its Class B Common Stock for each share of BCC's Class A Common Stock received by it between September 30, 2016 and October 4, 2016. Upon the Company's adoption of the BCC Equity Compensation Plans on December 15, 2016, the share exchange agreements were terminated. See Note 3 – Acquisitions and Mergers for a description of the BCC Merger in which BCC merged with and into a wholly owned subsidiary of the Company.



The following table sets forth the number of shares of the Company's Class B Common Stock issued to the BCC RSU Holders and the number of shares of BCC's Class A Common Stock received by the Company in exchange therefor during 2016 pursuant to the share exchange transaction described above.

<b>Individual Reporting Person</b>	<b>Date of Share Exchange</b>	<b>Number of Shares of the Company's Class B Common Stock Issued to the BCC RSU Holder</b>	<b>Number of Shares of BCC's Class A Common Stock Received by the Company</b>
Alan B. Levan	9/30/2016	398,752	73,843
	10/1/2016	107,800	19,963
John E. Abdo	9/30/2016	398,752	73,843
	10/2/2016	107,800	19,963
Jarett S. Levan	9/30/2016	204,962	37,956
	10/3/2016	53,897	9,981
Seth M. Wise	9/30/2016	204,962	37,956
	10/4/2016	53,897	9,981
<b>Total</b>		<b>1,530,822</b>	<b>283,486</b>

During each of the years ended December 31, 2017, 2016 and 2015, the Company paid Abdo Companies, Inc. approximately \$306,000 in exchange for certain management services. John E. Abdo, the Company's Vice Chairman, is the principal shareholder and Chief Executive Officer of Abdo Companies, Inc.

Certain of the Company's affiliates, including its executive officers, have independently made investments with their own funds in investments that the Company has sponsored or in which the Company holds investments.

#### **24. Segment Reporting**

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker ("CODM") in assessing performance and deciding how to allocate resources. Reportable segments consist of one or more operating segments with similar economic characteristics, products and services, production processes, type of customer, distribution system or regulatory environment.

The information provided for segment reporting is obtained from internal reports utilized by management of the Company. The presentation and allocation of assets and results of operations may not reflect the actual economic costs of the segments as standalone businesses. If a different basis of allocation were utilized, the relative contributions of the segments might differ, but the relative trends in the segments' operating results would, in management's view, likely not be impacted.

In June 2017, BBX Sweet Holdings acquired IT'SUGAR, for cash consideration of approximately \$58.4 million. Additionally, in 2017, the Company commenced a reorganization of BBX Sweet Holdings' businesses including the consolidation of manufacturing facilities and integration of operating entities. As a result of these activities, internal management reports were modified, and the CODM began utilizing the new reporting structure to manage operations and allocate resources. As a consequence, the Company determined that it was appropriate to report the operations of BBX Sweet Holdings as a separate reportable segment together with the Company's three other reportable segments as follows: Bluegreen, BBX Capital Real Estate, Renin, and BBX Sweet Holdings. Segment information for the years ended December 31, 2016 and 2015 has been updated retrospectively to conform to 2017 presentation.

In the table for the years ended December 31, 2017, 2016 and 2015, amounts set forth in the column entitled "Corporate Expenses & Other" include interest expense associated with Woodbridge's trust preferred securities ("TruPs"), corporate overhead and, for the 2016 and 2017 periods, start-up expenses for the Company's MOD Super-Fast Pizza franchise restaurants. The Company opened two MOD Super-Fast Pizza franchise restaurants during the fourth quarter of 2017 and a third location during the first quarter of 2018. As of December 31, 2017, management determined that the operations of MOD did not warrant separate presentation as a reportable segment.

The Company evaluates segment performance based on segment income before income taxes.

Set forth below is summary information regarding the Company's reportable segments:

***Bluegreen***

Bluegreen markets, sells and manages real estate-based VOIs in resorts generally located in popular, high-volume, "drive-to" vacation destinations, which were developed or acquired by Bluegreen or are owned by others in which case Bluegreen earns fees for providing these services. Bluegreen earns fees by providing VOI title services, club and homeowners' association management services, mortgage servicing, reservation services, services related to the Traveler-Plus program, food and beverage and other retail operations, and construction design and development services. In addition, Bluegreen provides financing to qualified individual purchasers of VOIs, which provides significant interest income.

***BBX Capital Real Estate***

BBX Capital Real Estate activities include the acquisition, ownership and management of real estate, real estate development projects, and investments in real estate joint ventures. BBX Capital Real Estate also manages the legacy assets acquired in connection with the sale of BankAtlantic to BB&T Corporation in July 2012. The legacy assets include portfolios of loans receivable, real estate properties and previously charged-off BankAtlantic loans.

***Renin***

Renin manufactures interior closet doors, wall décor, hardware and fabricated glass products and operates through its headquarters in Canada and two manufacturing, assembly and distribution facilities in Canada and the United States. During 2017, total revenues for the Renin reportable segment include \$34.0 million of trade sales to two major customers and their affiliates. Renin's revenues generated outside the United States totaled \$10.6 million for the year ended December 31, 2017. Renin's properties and equipment located outside the United States totaled \$3.1 million as of December 31, 2017.

***BBX Sweet Holdings***

BBX Sweet Holdings consists of IT'SUGAR, Hoffman's Chocolates, and manufacturing facilities in the chocolate and confection industries serving wholesalers such as boutique retailers, big box chains, department stores, national resort properties, corporate customers, and private label brands. IT'SUGAR is a specialty candy retailer with 95 retail locations in 26 states and Washington, DC. Hoffman's Chocolates is a manufacturer of gourmet chocolates with retail locations in South Florida.

The table below sets forth the Company's segment information as of and for the year ended December 31, 2017 (in thousands):

	<b>Reportable Segments</b>						<b>Segment Total</b>
	<b>Bluegreen</b>	<b>Real Estate</b>	<b>Renin</b>	<b>BBX Sweet Holdings</b>	<b>Corporate Expenses &amp; Other</b>	<b>Eliminations</b>	
<b>Revenues:</b>							
Sales of VOIs	\$ 239,662	-	-	-	-	-	239,662
Fee-based sales							
commission revenue	229,389	-	-	-	-	-	229,389
Other fee-based services revenue	111,819	-	-	-	-	-	111,819
Trade sales	-	-	69,648	72,905	245	-	142,798
Interest income	86,876	2,225	-	38	969	(6,400)	83,708
Net gains on sales of assets	-	2,442	-	-	-	-	2,442
Other revenue	312	4,647	-	74	1,480	(549)	5,964
<b>Total revenues</b>	<b>668,058</b>	<b>9,314</b>	<b>69,648</b>	<b>73,017</b>	<b>2,694</b>	<b>(6,949)</b>	<b>815,782</b>
<b>Costs and Expenses:</b>							
Cost of sales of VOIs	17,439	-	-	-	-	-	17,439
Cost of other fee-based services	68,336	-	-	-	-	-	68,336
Cost of trade sales	-	-	49,358	48,306	91	-	97,755
Interest expense	29,977	0	509	335	10,784	(6,400)	35,205
Recoveries from loan losses, net	-	(7,495)	-	-	-	-	(7,495)
Asset impairments, net	-	1,646	-	5,785	-	-	7,431
Net gains on cancellation of junior subordinated debentures	-	-	-	-	(6,929)	-	(6,929)
Litigation costs and penalty reimbursements	-	-	-	-	(13,169)	-	(13,169)
Selling, general and administrative expenses	416,970	11,113	17,408	35,374	57,809	(549)	538,125
<b>Total costs and expenses</b>	<b>532,722</b>	<b>5,264</b>	<b>67,275</b>	<b>89,800</b>	<b>48,586</b>	<b>(6,949)</b>	<b>736,698</b>
Equity in net earnings of unconsolidated real estate joint ventures	-	14,483	-	-	-	-	14,483
Foreign exchange loss	-	-	(193)	-	-	-	(193)
Income (loss) before income taxes	\$ 135,336	18,533	2,180	(16,783)	(45,892)	-	93,374
<b>Total assets</b>	<b>\$ 1,236,424</b>	<b>162,214</b>	<b>36,134</b>	<b>92,588</b>	<b>161,340</b>	<b>(82,035)</b>	<b>1,606,665</b>
Expenditures for property and equipment	\$ 14,115	308	2,786	2,246	2,590	-	22,045
Depreciation and amortization	\$ 9,632	581	1,713	4,080	756	-	16,762
Debt accretion and amortization	\$ 4,478	-	-	55	149	-	4,682
Cash and cash equivalents	\$ 197,337	8,636	863	10,160	145,530	-	362,526
Equity method investments included in total assets	\$ -	47,275	-	-	-	-	47,275
Goodwill	\$ -	-	-	39,482	-	-	39,482
Notes payable and other borrowings	\$ 521,312	24,215	12,890	6,815	80,000	(80,000)	565,232
Junior subordinated debentures	\$ 70,384	-	-	-	65,030	-	135,414

The table below sets forth the Company's segment information as of and for the year ended December 31, 2016 (in thousands):

	Reportable Segments						Segment Total
	Bluegreen	Real Estate	Renin	BBX Sweet Holdings	Corporate Expenses & Other	Eliminations	
<b>Revenues:</b>							
Sales of VOIs	\$ 266,142	-	-	-	-	-	266,142
Fee-based sales							
commission revenue	201,829	-	-	-	-	-	201,829
Other fee-based services revenue	103,448	-	-	-	-	-	103,448
Trade sales	-	-	65,225	30,771	-	-	95,996
Interest income	89,510	3,606	-	10	620	(8,000)	85,746
Net gains on sales of assets	-	6,076	-	-	-	-	6,076
Other revenue	1,724	5,067	-	8	2,230	(971)	8,058
Total revenues	<u>662,653</u>	<u>14,749</u>	<u>65,225</u>	<u>30,789</u>	<u>2,850</u>	<u>(8,971)</u>	<u>767,295</u>
<b>Costs and Expenses:</b>							
Cost of sales of VOIs	27,346	-	-	-	-	-	27,346
Cost of other fee-based services	64,479	-	-	-	-	-	64,479
Cost of trade sales	-	-	47,088	27,253	-	-	74,341
Interest expense	30,853	-	313	409	12,462	(8,000)	36,037
Recoveries from loan losses, net	-	(20,508)	-	-	-	-	(20,508)
Asset impairments, net	-	2,304	-	2,352	-	-	4,656
Selling, general and administrative expenses	415,027	11,864	17,186	15,720	57,931	(971)	516,757
Total costs and expenses	<u>537,705</u>	<u>(6,340)</u>	<u>64,587</u>	<u>45,734</u>	<u>70,393</u>	<u>(8,971)</u>	<u>703,108</u>
Equity in net earnings of unconsolidated real estate joint ventures	-	13,630	-	-	-	-	13,630
Foreign exchange gain	-	-	219	-	-	-	219
Income (loss) before income taxes	\$ <u>124,948</u>	<u>34,719</u>	<u>857</u>	<u>(14,945)</u>	<u>(67,543)</u>	<u>-</u>	<u>78,036</u>
<b>Total assets</b>	<b>\$ <u>1,128,630</u></b>	<b><u>179,856</u></b>	<b><u>28,913</u></b>	<b><u>34,356</u></b>	<b><u>146,702</u></b>	<b><u>(82,389)</u></b>	<b><u>1,436,068</u></b>
Expenditures for property and equipment	\$ 9,605	266	1,718	834	516	-	12,939
Depreciation and amortization	\$ 9,536	603	818	1,437	512	-	12,906
Debt accretion and amortization	\$ 4,736	-	83	102	-	-	4,921
Cash and cash equivalents	\$ 144,120	13,628	(288)	8,627	133,774	-	299,861
Equity method investments included in total assets	\$ -	43,491	-	-	-	-	43,491
Goodwill	\$ -	-	-	6,731	-	-	6,731
Notes payable and other borrowings	\$ 513,371	20,743	9,692	4,973	80,000	(80,000)	548,779
Junior subordinated debentures	\$ 69,044	-	-	-	83,323	-	152,367

The table below sets forth the Company's segment information as of and for the year ended December 31, 2015 (in thousands):

	Reportable Segments						Segment Total
	Bluegreen	Real Estate	Renin	BBX Sweet Holdings	Corporate Expenses & Other	Eliminations	
<b>Revenues:</b>							
Sales of VOIs	\$ 259,236	-	-	-	-	-	259,236
Fee-based sales							
commission revenue	173,659	-	-	-	-	-	173,659
Other fee-based services revenue	97,539	-	-	-	-	-	97,539
Trade sales	-	-	56,461	27,823	-	-	84,284
Interest income	84,331	9,921	-	-	859	(6,040)	89,071
Net gains (losses) on sales of assets	-	31,181	-	-	(89)	-	31,092
Other revenue	2,883	5,540	-	14	1,999	(1,060)	9,376
<b>Total revenues</b>	<b>617,648</b>	<b>46,642</b>	<b>56,461</b>	<b>27,837</b>	<b>2,769</b>	<b>(7,100)</b>	<b>744,257</b>
<b>Costs and Expenses:</b>							
Cost of sales of VOIs	22,884	-	-	-	-	-	22,884
Cost of other fee-based services	60,942	-	-	-	-	-	60,942
Cost of trade sales	-	-	42,123	20,584	-	-	62,707
Interest expense	35,698	-	309	950	9,491	(6,040)	40,408
Recoveries from loan losses, net	-	(13,457)	-	-	-	-	(13,457)
Asset impairments, net	-	287	-	-	-	-	287
Litigation settlement	-	-	-	-	36,500	-	36,500
Selling, general and administrative expenses	373,804	12,773	15,049	15,071	51,063	(1,060)	466,700
<b>Total costs and expenses</b>	<b>493,328</b>	<b>(397)</b>	<b>57,481</b>	<b>36,605</b>	<b>97,054</b>	<b>(7,100)</b>	<b>676,971</b>
Equity in net earnings of unconsolidated real estate joint ventures	-	(1,565)	-	-	-	-	(1,565)
Foreign exchange loss	-	-	(1,038)	-	-	-	(1,038)
Income (loss) before income taxes	\$ 124,320	45,474	(2,058)	(8,768)	(94,285)	-	64,683
<b>Total assets</b>	<b>\$ 1,083,151</b>	<b>204,787</b>	<b>22,778</b>	<b>33,836</b>	<b>78,839</b>	<b>(82,431)</b>	<b>1,340,960</b>
Expenditures for property and equipment	\$ 9,176	4	92	2,003	1,535	-	12,810
Depreciation and amortization	\$ 9,181	810	546	1,628	263	-	12,428
Debt accretion and amortization	\$ 5,681	-	97	135	92	-	6,005
Cash and cash equivalents	\$ 115,524	18,130	632	1,069	63,550	-	198,905
Equity method investments included in total assets	\$ -	42,962	-	-	-	-	42,962
Goodwill	\$ -	-	-	7,601	-	-	7,601
Notes payable and other borrowings	\$ 503,521	-	8,071	13,314	80,000	(80,000)	524,906
Junior subordinated debentures	\$ 67,255	-	-	-	83,230	-	150,485



## 25. Selected Quarterly Results (Unaudited)

The following tables summarize the results of operations for each fiscal quarter during the years ended December 31, 2017 and 2016 (in thousands except for per share data):

2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 171,651	203,192	226,192	214,747	815,782
Costs and expenses	<u>141,831</u>	<u>181,974</u>	<u>208,852</u>	<u>204,041</u>	<u>736,698</u>
	29,820	21,218	17,340	10,706	79,084
Equity in net earnings of unconsolidated					
real estate joint ventures	3,714	3,455	2,451	4,863	14,483
Foreign exchange gains (losses)	<u>191</u>	<u>(398)</u>	<u>(105)</u>	<u>119</u>	<u>(193)</u>
Income before income taxes	33,725	24,275	19,686	15,688	93,374
(Provision) benefit for income taxes	<u>(13,054)</u>	<u>(8,779)</u>	<u>(8,195)</u>	<u>37,251</u>	<u>7,223</u>
Net income	20,671	15,496	11,491	52,939	100,597
Less: Net income attributable to noncontrolling interests	<u>2,796</u>	<u>3,415</u>	<u>3,256</u>	<u>8,935</u>	<u>18,402</u>
Net income to common shareholders	<u>17,875</u>	<u>12,081</u>	<u>8,235</u>	<u>44,004</u>	<u>82,195</u>
Basic earnings per common share	\$ <u>0.18</u>	<u>0.12</u>	<u>0.08</u>	<u>0.44</u>	<u>0.83</u>
Diluted earnings per common share	\$ <u>0.17</u>	<u>0.11</u>	<u>0.08</u>	<u>0.43</u>	<u>0.79</u>
Basic weighted average number of common shares outstanding	<u>98,921</u>	<u>98,240</u>	<u>98,073</u>	<u>99,744</u>	<u>98,745</u>
Diluted weighted average number of common and common equivalent shares outstanding	<u>105,866</u>	<u>106,173</u>	<u>106,021</u>	<u>102,440</u>	<u>103,916</u>

2016	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
Revenues	\$ 165,902	193,154	209,695	198,544	767,295
Costs and expenses	<u>153,310</u>	<u>192,616</u>	<u>171,685</u>	<u>185,497</u>	<u>703,108</u>
	12,592	538	38,010	13,047	64,187
Equity in net (losses) earnings of unconsolidated real estate joint ventures	(342)	1,655	4,480	7,837	13,630
Foreign exchange gains (losses)	<u>210</u>	<u>110</u>	<u>5</u>	<u>(106)</u>	<u>219</u>
Income before income taxes	12,460	2,303	42,495	20,778	78,036
(Provision) benefit for income taxes	<u>(5,107)</u>	<u>368</u>	<u>(19,118)</u>	<u>(12,522)</u>	<u>(36,379)</u>
Net income	7,353	2,671	23,377	8,256	41,657
Less: Net income attributable to noncontrolling interests	1,871	2,427	5,602	3,395	13,295
Net income to common shareholders	<u>5,482</u>	<u>244</u>	<u>17,775</u>	<u>4,861</u>	<u>28,362</u>
Basic earnings per common share	<u>\$ 0.06</u>	<u>0.00</u>	<u>0.21</u>	<u>0.05</u>	<u>0.33</u>
Diluted earnings per common share	<u>\$ 0.06</u>	<u>0.00</u>	<u>0.21</u>	<u>0.05</u>	<u>0.32</u>
Basic weighted average number of common shares outstanding	<u>86,839</u>	<u>85,946</u>	<u>85,864</u>	<u>88,949</u>	<u>86,902</u>
Diluted weighted average number of common and common equivalent shares outstanding	<u>87,013</u>	<u>86,145</u>	<u>86,573</u>	<u>89,961</u>	<u>87,492</u>



## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) to make known material information concerning the Company, including its subsidiaries, to those officers who certify our financial reports and to other members of our senior management. As of December 31, 2017, our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all errors and all improper conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of improper conduct, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of any control system is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any such design will succeed in achieving its stated goals under all potential future conditions.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. As of December 31, 2017, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework – 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Management has excluded IT'SUGAR, LLC from its assessment of internal control over financial reporting as of December 31, 2017. We acquired this business during the second quarter of 2017 and our management has not conducted an assessment of the acquired business' internal control over financial reporting. Total assets and revenues

of IT'SUGAR, LLC represent 4% and 6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Board of Directors and Shareholders  
BBX Capital Corporation

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of BBX Capital Corporation (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated March 9, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of the Company’s subsidiary, IT’SUGAR, LLC, whose financial statements reflect total assets and revenues constituting 4 and 6 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017. As indicated in Management’s Report, IT’SUGAR, LLC was acquired during 2017. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of IT’SUGAR, LLC.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



/s/ GRANT THORNTON LLP

Fort Lauderdale, Florida  
March 9, 2018

## **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

On March 6, 2018, BBX Capital, BBX Sweet Holdings, Food for Thought Restaurant Group-Florida, LLC, BBX Capital Florida LLC and Woodbridge, entered into a Loan and Security Agreement and related agreements with Iberiabank, as administrative agent and lender, and City National Bank of Florida, as lender, which provide for a \$50 million revolving line of credit. Amounts borrowed under the facility will accrue interest at a floating rate of 30-day LIBOR plus a margin of 3.0% to 3.75% or the Prime Rate plus a margin of 1.50% to 2.25%. The applicable margin is based on BBX Capital's debt to EBITDA ratio. Payments of interest only will be payable monthly. The facility matures, and all outstanding principal and interest will be payable, on March 6, 2020, with twelve month renewal options at BBX Capital's request, subject to satisfaction of certain conditions. The facility is secured by a pledge of a percentage of BBX Capital's membership interests in Woodbridge having a value of not less than \$100 million. Borrowings under the facility may be used for business acquisitions, real estate investments, stock repurchases, letters of credit and general corporate purposes. Under the terms and conditions of the Loan and Security Agreement, we are required to comply with certain financial covenants, including maintaining minimum unencumbered liquidity and complying with financial ratios related to fixed charge coverage and debt to EBITDA. The Loan and Security Agreement also contains customary affirmative and negative covenants, including those that, among other things, limit the ability of BBX Capital and the other borrowers to incur additional indebtedness and to make certain loans and investments.

The foregoing description of the Loan and Security Agreement is only a summary and is qualified in its entirety by reference to the full text of the agreements, which are filed as Exhibits 10.66 in Item 15 to this Annual Report.

### **PART III**

The remaining information required by Items 10 through 14 of Part III of Form 10-K will be provided by incorporating such information by reference to our Definitive Proxy Statement on Schedule 14A relating to our 2018 Annual Meeting of Shareholders in the event it is filed with the Securities and Exchange Commission by no later than 120 days after December 31, 2017. Alternatively, we may provide the information required by Items 10 through 14 of Part III of Form 10-K in an amendment to this Annual Report on Form 10-K under cover of Form 10-K/A, in which case such amendment will be filed with the Securities and Exchange Commission by the end of such 120 day period.



## **PART IV**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

a) Documents Filed as Part of this Report:

1) Financial Statements

The following consolidated financial statements of BBX Capital Corporation and its subsidiaries are included herein under Part II, Item 8 of this Report.

Reports of Independent Registered Public Accounting Firm.

Consolidated Statements of Financial Condition as of December 31, 2017 and 2016.

Consolidated Statements of Operations and Comprehensive Income for each of the years in the three year period ended December 31, 2017.

Consolidated Statements of Changes in Equity for each of the years in the three year period ended December 31, 2017.

Consolidated Statements of Cash Flows for each of the years in the three year period ended December 31, 2017.

Notes to Consolidated Financial Statements.

2) Financial Statement Schedules

Schedule III – Real estate and accumulated depreciation for BBX Capital Corporation

Schedule IV – Mortgage loans on real estate for BBX Capital Corporation

All other schedules are omitted as the required information is either not applicable or presented in the financial statements or related notes.

3) Exhibits

The following exhibits are either filed as a part of or furnished with this report or are incorporated herein by reference to documents previously filed as indicated below:

<b>Exhibit Number</b>	<b>Description</b>	<b>Reference</b>
2.1	Agreement and Plan of Merger, dated July 27, 2016, by and among the Company, BBX Merger Subsidiary LLC and BBX Capital Corporation	<u>Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on July 28, 2016</u>
2.2	Letter Agreement, dated October 20, 2016, amending the Agreement and Plan of the Merger, dated as of July 27, 2016 by and among the Company, BBX Merger Subsidiary LLC and BBX Capital Corporation	<u>Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on October 20, 2016</u>
3.1	Amended and Restated Articles of Incorporation, effective October 8, 1997	<u>Exhibit 3.1 of Registrant's Registration Statement on Form 8-A filed October 16, 1997</u>
3.2	Amendment to the Amended and Restated Articles of Incorporation, effective June 18, 2002	<u>Exhibit 4 of Registrant's Current Report on Form 8-K filed June 27, 2002</u>

3.3	Amendment to the Amended and Restated Articles of Incorporation, effective April 15, 2003	<a href="#"><u>Appendix B of Registrant's Definitive Proxy Statement on Schedule 14A filed April 18, 2003</u></a>
3.4	Amendment to the Amended and Restated Articles of Incorporation, effective February 7, 2005	<a href="#"><u>Appendix A of Registrant's Definitive Information Statement on Schedule 14C filed January 18, 2005</u></a>
3.5	Amendment to the Amended and Restated Articles of Incorporation, effective June 22, 2004, as amended on December 17, 2008	<a href="#"><u>Exhibit 3.1 of Registrant's Current Report on Form 8-K filed December 18, 2008</u></a>
3.6	Amendment to the Amended and Restated Articles of Incorporation, effective May 19, 2009	<a href="#"><u>Appendix A of Registrant's Definitive Proxy Statement on Schedule 14A filed April 29, 2009</u></a>
3.7	Amendment to the Amended and Restated Articles of Incorporation, effective September 21, 2009	<a href="#"><u>Annex D of the Joint Proxy Statement/Prospectus that forms a part of Amendment No. 1 to Registrant's Registration Statement on Form S-4 filed August 14, 2009</u></a>
3.8	Amendment to the Amended and Restated Articles of Incorporation, effective September 21, 2009	<a href="#"><u>Exhibit 3.8 of Registrant's Current Report on Form 8-K filed September 25, 2009</u></a>
3.9	Amendment to the Amended and Restated Articles of Incorporation, effective December 19, 2013	<a href="#"><u>Exhibit 3.1 of Registrant's Current Report on Form 8-K filed December 23, 2013</u></a>
3.10	Amendment to the Amended and Restated Articles of Incorporation, effective January 30, 2017	<a href="#"><u>Exhibit A of the Registrant's Definitive Information Statement on Schedule 14C filed January 9, 2017</u></a>
3.11	Bylaws, as amended	<a href="#"><u>Exhibit 3.1 of Registrant's Current Report on Form 8-K filed February 12, 2015</u></a>
4.1	Specimen Class A Common Stock Certificate	<a href="#"><u>Exhibit 4.1 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
4.2	Specimen Class B Common Stock Certificate	<a href="#"><u>Exhibit 4.2 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
4.3	Rights Agreement dated as of September 21, 2009 by and between BFC Financial Corporation and American Stock Transfer and Trust Company, LLC as Rights Agent.	<a href="#"><u>Exhibit 4.1 of Registrant's Current Report on Form 8-K, filed September 25, 2009</u></a>
10.1	BFC Financial Corporation 2014 Stock Incentive Plan, as amended	<a href="#"><u>Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed April 24, 2015</u></a>
10.2	BFC Financial Corporation 2005 Stock Incentive Plan, as amended	<a href="#"><u>Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed November 21, 2012</u></a>
10.3	BBX Capital 2005 Restricted Stock and Option Plan, as amended	<a href="#"><u>Exhibit 10.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.4	BBX Capital 2014 Stock Incentive Plan, as amended	<a href="#"><u>Exhibit 10.4 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.5	BBX Capital 2014 Incentive Plan, as amended	<a href="#"><u>Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed April 21, 2017</u></a>
10.6	Employment agreement between Alan B. Levan and BFC Financial Corporation	<a href="#"><u>Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 14, 2012</u></a>
10.7	Employment agreement between John E. Abdo and BFC Financial Corporation	<a href="#"><u>Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 14, 2012</u></a>
10.8	Employment agreement between Seth M. Wise and BFC Financial Corporation	<a href="#"><u>Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 15, 2012</u></a>
10.9	Employment agreement between Jarett S. Levan and BFC Financial Corporation	<a href="#"><u>Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 15, 2012</u></a>

10.10	Employment agreement between Ray S. Lopez and BFC Financial Corporation	<a href="#"><u>Exhibit 10.1 of Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed on May 8, 2015</u></a>
10.11	Employment agreement between Alan B. Levan and BBX Capital Corporation	<a href="#"><u>Exhibit 10.10 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.12	Employment agreement between John E. Abdo and BBX Capital Corporation	<a href="#"><u>Exhibit 10.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.13	Employment agreement between Jarett S. Levan and BBX Capital Corporation	<a href="#"><u>Exhibit 10.12 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.14	Employment agreement between Seth M. Wise and BBX Capital Corporation	<a href="#"><u>Exhibit 10.13 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.15	Employment agreement between Ray S. Lopez and BBX Capital Corporation	<a href="#"><u>Exhibit 10.14 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</u></a>
10.16	Tax Sharing Agreement dated as of May 8, 2015, by and among BFC Financial Corporation, BBX Capital and Bluegreen	<a href="#"><u>Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed on May 8, 2015</u></a>
10.17	Loan Agreement and Promissory Note, dated April 17, 2015, between BFC Financial Corporation and Bluegreen Specialty Finance, LLC	<a href="#"><u>Exhibit (b)(1) to Amendment No. 2 of the Schedule TO-T filed by Registrant with the Securities and Exchange Commission on April 17, 2015</u></a>
10.18	Underwriting Agreement, dated November 16, 2017, by and between Bluegreen Vacations Corporation, Woodbridge Holdings, LLC, and Stifel, Nicolaus & Company, Incorporated and Credit Suisse Securities (USA) LLC, as representatives of the several underwriters named in Schedule I thereto	<a href="#"><u>Exhibit 1.1 of Registrant's Current Report on Form 8-K filed with the SEC on November 21, 2017</u></a>
10.19	Indenture between BXG Receivables Note Trust 2012-A as Issuer, Bluegreen Corporation as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation as Backup Servicer and U.S. Bank National Association, as Indenture Trustee, Paying Agent and Custodian, dated as of August 15, 2012.	<a href="#"><u>Exhibit 10.101 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</u></a>
10.20	Sale Agreement by and among BRFC 2012-A LLC as Depositor and BXG Receivables Note Trust 2012-A as Issuer dated as of August 15, 2012	<a href="#"><u>Exhibit 10.102 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</u></a>
10.21	Transfer Agreement by and among Bluegreen Corporation, BXG Timeshare Trust I as Seller and BRFC 2012-A LLC as Depositor, dated as of August 15, 2012	<a href="#"><u>Exhibit 10.103 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</u></a>
10.22	Purchase and Contribution Agreement by and among Bluegreen Corporation, as Seller and BRFC 2012-A LLC as Depositor, dated as of August 15, 2012	<a href="#"><u>Exhibit 10.104 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</u></a>
10.23	Note Purchase and Collateral Trust and Security Agreement by and among Bluegreen Corporation, Bluegreen Vacations Unlimited, Inc., Bluegreen Resorts Managements, Inc., and TFRI 2013-1 LLC as Obligors, Bluegreen Nevada, LLC as Guarantor, and US National Bank as Collateral Agent, Note Registrar and Paying Agent, and AIG Asset Management (U.S.) LLC as Designated Representative, dated March 26, 2013	<a href="#"><u>Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed on May 15, 2013</u></a>
10.24	BXG Receivables Note Trust 2013-A, Standard Definitions	<a href="#"><u>Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 2, 2013</u></a>

10.25	Indenture between BXG Receivables Note Trust 2013-A, as Issuer, Bluegreen Corporation, as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation, as Backup Servicer, and U.S. Bank National Association, as Indenture Trustee, Paying Agent and Custodian, dated as of September 15, 2013	<a href="#"><u>Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 2, 2013</u></a>
10.26	Sale Agreement by and among BRFC 2013-A LLC, as Depositor, and BXG Receivables Note Trust 2013-A, as Issuer, dated as of September 15, 2013	<a href="#"><u>Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 2, 2013</u></a>
10.27	Transfer Agreement by and among Bluegreen Corporation, BXG Timeshare Trust I, as Seller, and BRFC 2013-A LLC, as Depositor, dated as of September 15, 2013	<a href="#"><u>Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 2, 2013</u></a>
10.28	Purchase and Contribution Agreement by and among Bluegreen Corporation, as Seller and BRFC 2013-A LLC as Depositor, dated as of September 15, 2013	<a href="#"><u>Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on October 2, 2013</u></a>
10.29	Second Amended and Restated Purchase and Contribution Agreement, dated as of May 1, 2017, between Bluegreen Corporation and Bluegreen Timeshare Finance I	<a href="#"><u>Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.30	Second Amended and Restated Sale Agreement, dated as of May 1, 2017, between Bluegreen Timeshare Finance I and BXG Timeshare Trust I	<a href="#"><u>Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.31	Sixth Amended and Restated Indenture, dated as of May 1, 2017, among BXG Timeshare Trust I, Bluegreen Corporation, Vacation Trust, Inc., Concord Servicing Corporation, U.S. Bank National Association, KeyBank National Association and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt AM Main	<a href="#"><u>Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.32	Sixth Amended and Restated Note Funding Agreement, dated as of May 1, 2017, by and among Bluegreen Corporation, BXG Timeshare Trust I, Bluegreen Timeshare Finance Corporation I, the purchasers from time to time parties thereto and KeyBank National Association and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt AM Main	<a href="#"><u>Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.33	Second Amended and Restated Trust Agreement, dated as of May 19, 2017, by and among Bluegreen Timeshare Finance I, GSS Holdings, Inc. and Wilmington Trust Company	<a href="#"><u>Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.34	Seventh Amended and Restated Standard Definitions to the Transaction Documents filed as Exhibit 10.1 through 10.5 to Registrant's Current Report on Form 8-K filed May 19, 2017	<a href="#"><u>Exhibit 10.6 to Registrant's Current Report on Form 8-K filed on May 24, 2017</u></a>
10.35	Credit Agreement dated November 5, 2014, among Bluegreen Corporation, as Borrower, Fifth Third Bank, as Administrative Agent and L/C Issuer, and Guarantors and Lenders party thereto	<a href="#"><u>Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q filed on November 10, 2014</u></a>
10.36	Indenture, dated as of January 15, 2015, between BXG Receivables Note Trust 2015-A, as Issuer, Bluegreen Corporation, as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation, as Backup Servicer, and U.S. Bank National Association, as Indenture Trustee, Paying Agent and Custodian	<a href="#"><u>Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 3, 2015</u></a>
10.37	Sale Agreement, dated as of January 15, 2015, by and among BRFC 2015-A LLC, as Depositor, and BXG Receivables Note Trust 2015-A, as Issuer	<a href="#"><u>Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on February 3, 2015</u></a>
10.38	Transfer Agreement, dated as of January 15, 2015, by and among Bluegreen Corporation, BXG Timeshare Trust I, as Seller, and BRFC 2015-A LLC, as Depositor	<a href="#"><u>Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on February 3, 2015</u></a>

10.39	Purchase and Contribution Agreement, dated as of January 15, 2015, by and among Bluegreen Corporation, as Seller, and BRFC 2015-A LLC, as Depositor	<a href="#"><u>Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on February 3, 2015</u></a>
10.40	BXG Receivables Note Trust 2015-A, Standard Definitions	<a href="#"><u>Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on February 3, 2015</u></a>
10.41	Second Amended and Restated Secured Promissory Note dated June 25, 2015, by and among Bluegreen Vacations Unlimited, Inc., as Borrower, and Pacific Western Bank, as Lender	<a href="#"><u>Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 30, 2015</u></a>
10.42	Second Amendment to Amended and Restated Loan and Security Agreement dated June 25, 2015, by and among Bluegreen Corporation, as Borrower, and Pacific Western Bank, as Lender	<a href="#"><u>Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 30, 2015</u></a>
10.43	Third Amended and Restated Revolving Promissory Note (Hypothecation Facility) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 7, 2015</u></a>
10.44	First Amended and Restated Loan and Security Agreement (Hypothecation Facility) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower and National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on July 7, 2015</u></a>
10.51	First Amended and Restated Promissory Note (Inventory Loan) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on July 7, 2015</u></a>
10.45	First Amended and Restated Loan Agreement (Inventory Loan) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on July 7, 2015</u></a>
10.46	Fourth Amended and Restated Revolving Promissory Note (Hypothecation Facility) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.47	Second Amended and Restated Loan and Security Agreement (Hypothecation Facility) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.48	Second Amended and Restated Promissory Note (Inventory Loan) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.49	Second Amended and Restated Loan Agreement (Inventory Loan) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.50	Full Guaranty (Hypothecation Facility) dated September 30, 2010, by Bluegreen Corporation, as Guarantor, in favor of National Bank of Arizona, as Lender (incorporated by reference to Exhibit 10.102 to Bluegreen's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 10, 2010)	<a href="#"><u>Exhibit 10.6 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.51	Guarantor Consent and Ratification and Confirmation of and Amendment to Full Guaranty (Hypothecation Facility) dated September 28, 2017, by Bluegreen Vacations Corporation, as Guarantor, in favor of Z.B., National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.6 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>

10.59	Full Guaranty (Inventory Loan) dated December 13, 2013, by Bluegreen Corporation, as Guarantor, in favor of National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.7 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.53	Guarantor Consent and Ratification and Confirmation of and Amendment to Full Guaranty (Inventory Loan) dated September 28, 2017, by Bluegreen Vacations Corporation, as Guarantor, in favor of Z.B., National Bank of Arizona, as Lender	<a href="#"><u>Exhibit 10.8 of Registrant's Current Report on Form 8-K filed on October 4, 2017</u></a>
10.54	Indenture dated as of March 17, 2016, between BXG Receivables Note Trust 2016-A, as Issuer, Bluegreen Corporation, as Servicer, Vacation Trust, Inc., as Club Trustee, Concord Servicing Corporation, as Backup Servicer, and U.S. Bank National Association, as Indenture Trustee, Paying Agent and Custodian	<a href="#"><u>Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 23, 2016</u></a>
10.55	Sale Agreement, dated as of March 17, 2016, by and among BRFC 2016-A LLC, as Depositor, and BXG Receivables Note Trust 2016-A, as Issuer	<a href="#"><u>Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on March 23, 2016</u></a>
10.56	Transfer Agreement, dated as of March 17, 2016, by and among Bluegreen Corporation, BXG Timeshare Trust I, as Seller, and BRFC 2016-A LLC, as Depositor	<a href="#"><u>Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on March 23, 2016</u></a>
10.57	Purchase and Contribution Agreement, dated as of March 17, 2016, by and among Bluegreen Corporation, as Seller, and BRFC 2016-A LLC, as Depositor	<a href="#"><u>Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 23, 2016</u></a>
10.58	BXG Receivables Note Trust 2016-A, Standard Definitions	<a href="#"><u>Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on March 23, 2016</u></a>
10.59	Amended and Restated Credit Agreement dated as of December 16, 2016, by and among Bluegreen Corporation, as Borrower and Fifth Third Bank, as Administrative Agent and L/C Issuer	<a href="#"><u>Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on December 22, 2016</u></a>
10.60	Amended and Restated Security Agreement, dated as of December 16, 2016, by and among Bluegreen Corporation, as Borrower, Bluegreen Vacations Unlimited, Inc. and Bluegreen Resorts Management, Inc. as Grantors, and Fifth Third Bank, as Administrative Agent	<a href="#"><u>Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on December 22, 2016</u></a>
10.61	Indenture, dated as of June 6, 2017, between BXG Receivables Note Trust 2017-A, as Issuer, Bluegreen Corporation, as Servicer, Vacation Trust, Inc. as Club Trustee, Concord Servicing Corporation, as Backup Servicer, and U.S. Bank National Association, as Indenture Trustee, Paying Agent and Custodian	<a href="#"><u>Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 9, 2017</u></a>
10.62	Sale Agreement, dated as of June 6, 2017, by and among BRFC 2017-A LLC, as Depositor, and BXG Receivables Note Trust 2017-A, as Issuer	<a href="#"><u>Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on June 9, 2017</u></a>
10.63	Transfer Agreement, dated as of June 6, 2017, by and among Bluegreen Corporation, BXG Timeshare Trust I, as Seller, and BRFC 2017-A LLC, as Depositor	<a href="#"><u>Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on June 9, 2017</u></a>
10.64	Purchase and Contribution Agreement, dated as of June 6, 2017, by and among Bluegreen Corporation, as Seller, and BRFC 2017-A LLC, as Depositor	<a href="#"><u>Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on June 9, 2017</u></a>
10.65	BXG Receivables Note Trust 2017-A, Standard Definitions	<a href="#"><u>Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on June 9, 2017</u></a>

<u>10.66</u>	Loan and Security Agreement, dated March 6, 2018, by and among BBX Capital, BBX Sweet Holdings, Food for Thought Restaurant Group-Florida, LLC, BBX Capital Florida, LLC and Woodbridge, collectively, as borrowers, and Iberiabank, as administrative agent and lender	Filed with this report
<u>12.1</u>	Ratio of Earnings to Fixed Charges	Filed with this Report
<u>21.1</u>	Subsidiaries of the Registrant	Filed with this Report
<u>23.1</u>	Consent of Grant Thornton LLP	Filed with this Report
<u>31.1</u>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with this Report
<u>31.2</u>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with this Report
<u>32.1</u>	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished with this Report
<u>32.2</u>	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished with this Report
101.INS	XBRL Instance Document	Filed with this Report
101.SCH	XBRL Taxonomy Extension Schema Document	Filed with this Report
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed with this Report
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed with this Report
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Filed with this Report
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed with this Report

**Schedule III – Real Estate Investments and Accumulated Depreciation**  
**BBX Capital Corporation**  
**As of December 31, 2017**  
(Dollars in thousands)

<u>Property</u>	<u>Initial Costs</u>		<u>Capitalized Costs</u>			<u>Total Accumulated Depreciation</u>	<u>Year of Construction</u>	<u>Foreclosure Month/Year</u>	<u>Depreciable Lives (Years)</u>
	<u>Land</u>	<u>Improvements</u>	<u>Acquisition</u>	<u>Subsequent to Building and</u>	<u>Other</u>				
RoboVault	\$ 1,590	6,310	581	-	8,481	1,546	2009	4/2013	40

(1) The aggregate cost for federal income tax purposes is \$7.4 million.

The following table presents the changes in BBX Capital's real estate investments for the year ended December 31, 2017 (in thousands):

	<u>Total Costs</u>	<u>Accumulated Depreciation</u>
Balance at December 31, 2016	\$ 14,040	1,322
Depreciation	-	465
Subsequent additions	581	-
Transfer to real estate held-for-sale	(6,140)	(241)
Balance at December 31, 2017	\$ 8,481	1,546



**Schedule IV – Mortgage Loans on Real Estate**  
**BBX Capital Corporation**  
**As of December 31, 2017**  
(Dollars in thousands)

Number of Loans	Description	Final Interest Rate <sup>(1)</sup>	Final Maturity Date <sup>(2)</sup>	Periodic Payment Terms	Face Prior Liens	Amount of Loans	Carrying Amount of Loans <sup>(3)</sup>	Principal Delinquent to Principal or Interest
53	First-lien 1-4 Family <sup>(4)</sup>	5.76%	10/31/2033	Monthly	\$ -	18,219	11,678	13,627
19	Second lien -Consumer	4.08%	7/2/2018	Monthly	4,441	2,224	787	566
9	Small Business Real Estate	6.66%	8/22/2023	Monthly	-	1,775	1,425	-
<b>Large Balance Commercial Real Estate Loans</b>								
1	Marina	3.23%	1/1/2018	Monthly	-	3,913	1,619	-
1	Land	4.00%	12/31/2017	Maturity	-	2,995	2,995	2,995
<b>Total Mortgage Loans</b>					<b>\$ 4,441</b>	<b>29,126</b>	<b>18,504</b>	<b>17,188</b>

- (1) Represents weighted average interest rates for mortgage loans grouped by category when there is more than one loan in the category.
- (2) Represents weighted average maturity dates for mortgage loans grouped by category when there is more than one loan in the category.
- (3) The aggregate cost for federal income tax purposes was \$20.3 million.
- (4) The Company does not own the servicing on these loans.

The following table presents the changes in the Company's mortgage loans for the year ended December 31, 2017 (in thousands):

Balance at December 31, 2016	\$ 24,130
Advances on existing mortgages	-
Collections of principal	(3,232)
Foreclosures	(1,365)
Costs of mortgages sold	(1,029)
Balance at December 31, 2017	<u>\$ 18,504</u>

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### BBX CAPITAL CORPORATION

March 9, 2018  
Levan

By: /s/ Alan B.

Board

Alan B. Levan, Chairman of the  
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Alan B. Levan</u> Alan B. Levan	Chairman of the Board and Chief Executive Officer	March 9, 2018
<u>/s/ John E. Abdo</u> John E. Abdo	Vice Chairman of the Board	March 9, 2018
<u>/s/ Jarett S. Levan</u> Jarett S. Levan	President and Director	March 9, 2018
<u>/s/ Seth M. Wise</u> Seth M. Wise	Executive Vice President and Director	March 9, 2018
<u>/s/ Raymond S. Lopez</u> Raymond S. Lopez	Executive Vice President, Chief Financial Officer, Chief Accounting Officer and Risk Officer	March 9, 2018
<u>/s/Norman H. Becker</u> Norman H. Becker	Director	March 9, 2018
<u>/s/Steven M. Coldren</u> Steven M. Coldren	Director	March 9, 2018
<u>/s/ Darwin Dornbush</u> Darwin Dornbush	Director	March 9, 2018
<u>/s/Willis N. Holcombe</u> Willis N. Holcombe	Director	March 9, 2018
<u>/s/ Oscar J. Holzmann</u> Oscar J. Holzmann	Director	March 9, 2018

<u>/s/ Alan Levy</u> Alan Levy	Director	March 9, 2018
<u>/s/ Joel Levy</u> Joel Levy	Director	March 9, 2018
<u>/s/ William Nicholson</u> William Nicholson	Director	March 9, 2018
<u>/s/Tony P. Segreto</u> Tony P. Segreto	Director	March 9, 2018
<u>/s/ Neil A. Sterling</u> Neil A. Sterling	Director	March 9, 2018
<u>/s/Charlie C. Winningham, II</u> Charlie C. Winningham, II	Director	March 9, 2018

**LOAN AND SECURITY AGREEMENT**

**by and among**

**BBX CAPITAL CORPORATION, a Florida corporation, FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC, a Florida limited liability company, BBX CAPITAL FLORIDA LLC, a Florida limited liability company, WOODBRIDGE HOLDINGS, LLC, a Florida limited liability company and BBX SWEET HOLDINGS, LLC, a Florida limited liability company, collectively, as Borrowers**

**and**

**IBERIABANK, a Louisiana state-chartered bank,  
as Administrative Agent**

**and**

**THE LENDERS FROM TIME TO TIME PARTY HERETO  
as Lenders**

**Dated: As of March 6, 2018**

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**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**

4833-7494-6387.12  
45083/0017  
03/02/2018

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## LOAN AND SECURITY AGREEMENT

**THIS LOAN AND SECURITY AGREEMENT** (this "**Agreement**") is dated March 6, 2018 is entered into by and among **BBX CAPITAL CORPORATION**, a Florida corporation, **FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC**, a Florida limited liability company, **BBX CAPITAL FLORIDA LLC**, a Florida limited liability company, **WOODBRIIDGE HOLDINGS, LLC**, a Florida limited liability company and **BBX SWEET HOLDINGS, LLC**, a Florida limited liability company (each a "**Borrower**" and collectively, "**Borrowers**"), and **IBERIABANK**, a Louisiana state-chartered bank, in its capacity as agent acting for and on behalf of the parties to this Agreement as lenders (in such capacity, "**Administrative Agent**"), the parties to this Agreement as lenders (individually a "**Lender**" and collectively, "**Lenders**").

### W I T N E S S E T H:

**WHEREAS**, Borrowers have requested that the Lenders make a revolving line of credit loan in a principal amount equal to \$50,000,000.00 to Borrowers (the "**Loan**").

**WHEREAS**, subject to the terms and conditions of this Agreement, the Lenders, to the extent of their respective Commitments as defined herein, are willing severally to make the Loan to Borrowers.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants herein contained, Borrowers, the Lenders and Administrative Agent agree as follows:

### **SECTION 1. DEFINITIONS**

For purposes of this Agreement, the following terms shall have the respective meanings given to them, below:

1.1 "**Affiliate**" shall mean, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such Person, and without limiting the generality of the foregoing, includes: (a) any Person which beneficially owns or holds ten percent (10%) or more of any class of Voting Stock of such Person or other equity interests in such Person; (b) any Person of which such Person beneficially owns or holds ten percent (10%) or more of any class of Voting Stock or in which such Person beneficially owns or holds ten percent (10%) or more of the equity interests and (c) any director or executive officer of such Person. For the purposes of this definition, the term "control" (including with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies or such Person, whether through the ownership of Voting Stock, by agreement or otherwise.

1.2 "**Administrative Agent**" shall mean IBERIABANK, in its capacity as administrative agent on behalf of Lenders pursuant to the terms hereof and any replacement or successor agent hereunder.

1.3 "**Applicable Margin**" means, at any time, as to the Interest Rate for Prime Rate Loans and the Interest Rate for Floating LIBOR Rate Loans the applicable percentage (on a per annum basis) set forth below as either the "Revolver LIBOR Margin" or the "Revolver Prime Margin" (as the case may be) based upon Borrowers' Maximum Senior Funded Debt to EBITDA as determined by Administrative Agent's review of Borrowers' quarterly financial statements required to be delivered in accordance with **Section 8.5(a)(iii)** of this Agreement:

<u>Pricing Level</u>	<u>Maximum Senior Funded Debt/EBITDA Ratio</u>	<u>Revolver LIBOR Margin</u>	<u>Revolver Prime Margin</u>
Level 1	≥ 2.00x	3.75%	2.25%
Level 2	≥ 1.50x but < 2.00x	3.50%	2.00%
Level 3	≥ 1.00x but < 1.50x	3.25%	1.75%
Level 4	< 1.00x	3.00%	1.50%

1.4 "**Assignment and Acceptance**" shall mean an Assignment and Acceptance substantially in the form of **Exhibit A** attached hereto (with blanks appropriately completed) delivered to Administrative Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of **Section 12.7** hereof.

1.5 "**Availability**" shall mean, as the context may require, the Letter of Credit Sublimit, the Business Acquisition Availability, the Real Estate Investments Availability and/or the Stock Buy Back Availability (as the case may be). Regarding any funding for General Purposes, such funding does not have a specific availability other than the Maximum Credit and the effect of **Section 2.2(b)** and **Section 2.3(b)(vi)**.

1.6 "**Bank Product Provider**" shall mean any Lender, Affiliate of Lender or other financial institution (in each case as to any such Lender, Affiliate or other financial institution to the extent approved by Administrative Agent) that provides any Bank Products to Borrowers.

1.7 "**Bank Products**" shall mean any one or more of the following types or services or facilities provided to a Borrower by a Bank Product Provider: (a) credit cards, debit cards or stored value cards or the processing of credit card, debit card or stored value card sales or receipts; (b) cash management or related services, including: (i) the automated clearinghouse transfer of funds for the account of a Borrower pursuant to agreement or overdraft for any accounts of Borrowers maintained at Administrative Agent or any Bank Product Provider that are subject to the control of Administrative Agent pursuant to any Deposit Account Control Agreement to which Administrative Agent or such Bank Product Provider is a party, as applicable; and (ii) controlled disbursement services; and (c) Hedge Agreements if and to the extent permitted hereunder. Any of the foregoing shall only be included in the definition of the term "Bank Products" to the extent that the Bank Product Provider has been approved by Administrative Agent.

1.8 "**Bluegreen Corporation**" shall mean **BLUEGREEN VACATIONS CORPORATION**, a Florida corporation.

1.9 "**Bluegreen Dividends**" shall mean any dividend declared and/or paid by Bluegreen Corporation to its shareholders, including, but not limited to, Woodbridge Holdings, if, as and when declared by Bluegreen Corporation's Board of Directors.

1.10 "**Borrower Agent**" shall mean the Parent in its capacity as Borrower Agent on behalf of itself and the other Borrowers pursuant to **Section 6.6** hereof and its successors and assigns in such capacity.

1.11 "**Borrowers**" shall mean, collectively, the following: (a) **BBX CAPITAL CORPORATION**, a Florida corporation; (b) **FOOD FOR THOUGHT RESTAURANT GROUP-**

**FLORIDA, LLC**, a Florida limited liability company; (c) **BBX CAPITAL FLORIDA LLC**, a Florida limited liability company; (d) **WOODBRIIDGE HOLDINGS, LLC**, a Florida limited liability company; (e) **BBX SWEET HOLDINGS, LLC**, a Florida limited liability company; and (f) any other Person that at any time after the date hereof becomes a Borrower hereunder; each sometimes being referred to herein individually as a "**Borrower**".

1.12 "**Business Acquisition Availability**" shall mean an amount up to but not exceeding \$20,000,000.00.

1.13 "**Business Acquisition Purposes**" shall mean Loans made hereunder for the acquisition of operating companies by any Borrower or its Subsidiaries.

1.14 "**Business Day**" shall mean any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of Florida and a day on which Administrative Agent is open for the transaction of business; except, that, if a determination of a Business Day shall relate to any Floating LIBOR Rate Loans, the term Business Day shall also exclude any day on which banks are closed for dealings in dollar deposits in the London interbank market or other applicable Floating LIBOR Rate market.

1.15 "**Capital Leases**" shall mean, as applied to any Person, any lease of (or any agreement conveying the right to use) any property (whether real, personal or mixed) by such Person as lessee which in accordance with GAAP, is required to be reflected as a liability on the balance sheet of such Person; provided that Capital Leases shall not include any lease, which would be classified and accounted for as an operating lease under GAAP as in effect on the Closing Date.

1.16 "**Capital Stock**" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock or partnership, limited liability company or other equity interests at any time outstanding, and any and all rights, warrants or options exchangeable for or convertible into such capital stock, or other interests (but excluding any debt security that is exchangeable for or convertible into such capital stock).

1.17 "**Change in Law**" shall mean the occurrence, after the Closing Date, of: (a) the adoption, taking effect or phasing in of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof; or (c) the making, issuance or application of any request, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority.

1.18 "**Change of Control**" shall mean: (a) the acquisition by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), except for one or more Permitted Holders, of beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power or of the total issued and outstanding capital stock of Parent; (b) if at any time, individuals who on the Closing Date constituted the Board of Directors of the Parent (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Parent, as the case may be, was approved by a vote of the majority of the directors then still in office who were either directors on the Closing Date or whose election or a nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Parent; or (c) the failure of Parent to own, directly or indirectly, one hundred percent (100%) of the voting power of the total outstanding Voting Stock of any other Borrower or Obligor, other than as permitted in **Section 8.6**.

1.19 "**City National**" shall mean CITY NATIONAL BANK OF FLORIDA, a national banking association and its successors and assigns.

1.20 "**Closing Date**" shall mean March 6, 2018.

1.21 "**Code**" shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified, or supplemented, together with all rules, regulations and official interpretations thereunder or related thereto.

1.22 "**Collateral**" shall have the meaning set forth in **Section 5** hereof.

1.23 "**Commitment**" shall mean, at any time, as to each Lender, the principal amount set forth below such Lender's signature on the signatures pages hereto designated as the Commitment or on **Schedule 1** to the Assignment and Acceptance Agreement pursuant to which such Lender became a Lender hereunder in accordance with the provisions of **Section 12.7** hereof, as the same maybe adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as "Commitments".

1.24 "**Compliance Certificate**" shall mean a compliance certificate in the form of **Exhibit B** attached hereto.

1.25 "**Conditions for Advances**" shall mean: (i) no Event of Default is then occurring; (ii) Availability exists under the requested Loan; and (iii) Administrative Agent shall have received such due diligence documents, certificates, or information, as it shall reasonably request with respect to requested Loan.

1.26 "**Connection Income Taxes**" shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

1.27 "**Credit Facility**" shall mean the Loans provided to or for the benefit of any Borrower pursuant to **Sections 2.1, 2.2, 2.3, 2.4, 2.5** and **2.6** hereof.

1.28 "**Default**" shall mean an act, condition or event which with notice or passage of time or both would constitute an Event of Default.

1.29 "**Default Interest**" shall have the meaning set forth in **Section 3.4(e)**.

1.30 "**Default Rate**" shall mean an interest rate equal to the lower of: (i) the then applicable Prime Rate plus six percent (6%); or (ii) the highest non-usurious rate permitted under applicable law.

1.31 "**Defaulting Lender**" shall have the meaning set forth in **Section 6.9(e)** hereof.

1.32 "**EBITDA**" shall mean, on any measurement date, with respect to the most recent four (4) calendar quarters, the Parent's Consolidated Net Income (Loss) plus, the sum of: (a) Interest Expense on Funded Debt; (b) Provision (Benefit) for Income Taxes; (c) Depreciation and Amortization; (d) Stock Compensation Expense; (e) Non-Cash Legacy Asset Impairment Charges; (f) Long-Term Incentive Plan Expenses; (g) One-Time Restructuring Charges and Severance Expenses; and (h) One-Time Expenses as approved by the Administrative Agent in its Permitted Discretion; less, for the same accounting

period, the sum of: (x) Other Interest Income (not including income on Vacation Ownership Interest notes receivable), in each case measured on a consolidated basis.

1.33 "**Eligible Transferee**" shall mean: (a) any Lender; (b) the parent company of any Lender and/or any Affiliate of such Lender which is at least fifty percent (50%) owned by such Lender or its parent company; (c) any person (whether a corporation, partnership, trust or otherwise) that is engaged in the business of making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor, and in each case is approved by Administrative Agent; (d) any other commercial bank, financial institution approved by Administrative Agent and Borrower Agent (which approval by Borrower Agent shall not be unreasonably withheld, conditioned or delayed, and shall be deemed given if no objection is made within five (5) Business Days after notice of the proposed assignment), that is organized under the laws of the United States or any state or district thereof, has total assets in excess of \$5,000,000,000 and extends asset-based lending facilities in its ordinary course of business; and (e) notwithstanding anything to the contrary set forth in this Agreement, including, without limitation, the proviso set forth in this definition, during any Event of Default, any Person acceptable to Administrative Agent in its sole discretion; provided, that: (i) no Person shall be an Eligible Transferee of the assignment to such Person that would constitute a prohibited transaction under Section 4975 of the Code or any other applicable law, or would, immediately following any such assignment, result in increased costs or Taxes payable by the Borrowers pursuant to **Section 8.3**; provided, that; (ii) neither any Borrower nor any Affiliate of any Borrower shall qualify as an Eligible Transferee; and (iii) no Person to whom any Indebtedness which is in any way subordinated in right of payment to any other Indebtedness of any Borrower shall qualify as an Eligible Transferee, except as Administrative Agent may otherwise specifically agree.

1.34 "**Environmental Laws**" shall mean all foreign, Federal, State and local laws (including common law), legislation, rules, codes, licenses, permits (including any conditions imposed therein), authorizations, judicial or administrative decisions, injunctions or agreements between any Borrower and any Governmental Authority: (a) relating to pollution and the protection, preservation or restoration of the environment (including air, water vapor, surface water, ground water, drinking water, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety; (b) relating to the exposure to, or the use, storage, recycling, treatment, generation, manufacture, processing, distribution, transportation, handling, labeling, production, release or disposal, or threatened release, of Hazardous Materials, or (c) relating to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials. The term "Environmental Laws" includes: (i) the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Water Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Safe Drinking Water Act of 1974; (ii) applicable state counterparts to such laws; and (iii) any common law or equitable doctrine that may impose liability or obligations for injuries or damages due to, or threatened as a result of; the presence of or exposure to any Hazardous Materials.

1.35 "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, together with all rules, regulations and interpretations thereunder or related thereto.

1.36 "**ERISA Affiliate**" shall mean any person required to be aggregated with any Borrower or any of its or their respective Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.37 "**ERISA Event**" shall mean: (a) any "reportable event", as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Plan other than reportable events for which the 30-day notice period has been waived; (b) the adoption of any amendment to a Plan that would cause the Plan to be subject to the limits of Code Section 436; (c) the failure to meet the minimum funding standards of Sections 412 or 430 of the Code or Sections 302 or 303 of ERISA); (d) the filing pursuant to Section 412 of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the occurrence of a "prohibited transaction" with respect to which any Borrower or any of its or their respective Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which any Borrower or any of its respective Subsidiaries could otherwise be liable other than a prohibited transaction that qualifies for an exemption from liability or tax under ERISA or the Code; (f) a complete or partial withdrawal by any Borrower or any ERISA Affiliate from a Multiemployer Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization; (g) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a Plan; (h) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (i) the imposition of any liability under Title IV of ERISA, other than the Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Borrower or any ERISA Affiliate in excess of \$5,000,000.00 and (j) any other event or condition with respect to a Plan including any Plan subject to Title IV of ERISA maintained, or contributed to, by any ERISA Affiliate that could reasonably be expected to result in liability of any Borrower in excess of \$5,000,000.00.

1.38 "**EST**" shall mean Eastern Standard Time.

1.39 "**Event of Default**" shall mean the occurrence or existence of any event or condition described in **Section 9.1** hereof.

1.40 "**Exchange Act**" shall mean the Securities Exchange Act of 1934, together with all rules, regulations and interpretations thereunder or related thereto.

1.41 "**Excluded Taxes**" shall mean any of the following Taxes imposed on or with respect to Administrative Agent, any Lender or any Issuing Bank or required to be withheld or deducted from a payment to Administrative Agent, any Lender or any Issuing Bank: (a) any Tax imposed on or determined by reference to the net income or net profits of Administrative Agent, any Lender or any Issuing Bank (and any franchise Taxes imposed in lieu thereof), and any branch profits Taxes, in each case: (i) imposed as a result of Administrative Agent, such Lender or such Issuing Bank being organized under the laws of, or having its principal office, or in the case of such Lender, its Lending Office, located in the jurisdiction (or any political subdivision or taxing authority thereof or therein) imposing such Tax; or (ii) that are Other Connection Taxes; (b) any Tax resulting from an Administrative Agent's, a Lender's or an Issuing Bank's failure to comply with the requirements of **Section 6.12(d)** (except to the extent such failure is attributable to a Change in Law with respect to taxation by any Governmental Authority after the time it becomes a party to this Agreement, or designates a new Lending Office, as the case may be); (c) in the case of any Lender or any Issuing Bank, any United States withholding Taxes imposed on amounts payable to or for the account of such Lender or such Issuing Bank with respect to an applicable interest in a Loan or Commitment pursuant to the applicable withholding rate in effect at the time it becomes a party to this

Agreement (other than pursuant to an assignment of a Non-Consenting Lender under **Section 10.3(c)**) or designates a new Lending Office, except that Taxes described in this **clause (c)** shall not include any amount with respect to United States withholding Taxes that such Lender or such Issuing Bank (or its assignor, if any) was previously entitled to receive pursuant to **Section 6.12**, if any, with respect to such United States withholding Taxes at the time it designates a new Lending Office or at the time of the assignment, and additional United States withholding Taxes that may be imposed after the time such Lender becomes a party to the Agreement or designates a new Lending Office, as a result of a Change in Law with respect to taxation by any Governmental Authority; and (d) any United States withholding taxes imposed under FATCA.

1.42 "**Extension Fee**" shall mean an amount equal to twelve and one-half basis points (12.5 bps or .125%) of the Maximum Credit.

1.43 "**Extension Option**" shall mean annual twelve (12) month extensions of the Maturity Date, which extensions shall be subject to the satisfaction of the Extension Option Conditions and Administrative Agent's approval in its sole and absolute discretion.

1.44 "**Extension Option Conditions**" shall mean the following:

(a) Borrowers shall request an Extension Option by written notice to Administrative Agent not earlier than fifteen (15) months nor later than twelve (12) months prior to the then applicable Maturity Date;

(b) At the time of the request, and at the time of the commencement of the applicable Extension Option, there shall not exist any Event of Default nor any condition or state of facts which after notice and/or lapse of time would constitute an Event of Default;

(c) Borrowers shall have paid Lender the Extension Fee to Administrative Agent no later than the commencement date of the applicable Extension Option; and

(d) At the time of the request, and at the time of the commencement of the applicable Extension Option, no Material Adverse Effect shall exist with respect to the financial condition of the Parent or the value of the Collateral;

(e) Administrative Agent shall provide written notice to the Borrower Agent of its approval or disapproval of the Extension Option, no later than sixty (60) days after receipt of Borrower's request for such Extension Option. Whether or not the extension becomes effective, Borrowers shall pay all out-of-pocket costs and expenses incurred by Administrative Agent and Lenders in connection with the proposed extension (pre- and post-closing), including (as may be applicable) valuation fees and reasonable attorneys' fees actually incurred by Administrative Agent and Lenders; all such costs and expenses incurred up to the time of Administrative Agent and Lenders written agreement to the extension shall be due and payable prior to Administrative Agent and Lenders of that agreement (or if the proposed extension does not become effective, then upon demand by Administrative Agent and Lenders), and any future failure to pay such amounts shall constitute an Event of Default under the Loan Documents (subject to any applicable notice and cure periods); and

(f) If all of the foregoing conditions are not satisfied, the applicable Extension Option shall not be or become effective.

1.45 "**FATCA**" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that, is substantively comparable), and any current or future regulations or official interpretations thereof.

1.46 "**Fee Letter**" shall mean the Fee Letter, dated of even date herewith, by and among Borrowers and Administrative Agent setting forth certain fees payable by Borrowers to Administrative Agent for the benefit of itself and Lenders, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.47 **Intentionally Deleted.**

1.48 "**Fixed Charge Coverage Ratio**" shall mean, with respect to any date of determination, the ratio of: (a) EBITDA, less cash dividends, stock repurchases and other restricted payments, less cash taxes; divided by (b) the sum of: (i) the scheduled principal payments on Loans; plus (ii) interest expense on the Loans.

1.49 "**Floating LIBOR Rate Loans**" shall mean any Loans or portion thereof on which interest is payable based on the Floating LIBOR Rate in accordance with the terms hereof.

1.50 "**Floating LIBOR Rate**" shall mean when determined, the rate per annum offered for U.S. Dollar deposits in an amount comparable to the applicable Floating LIBOR Loan for a period of thirty (30) days as of 11:00 a.m. City of London, England time two (2) Business Days prior to the first day of the month in which such determination occurs equal to the "London Interbank Offered Rate" from ICE Benchmark Administrative Settlement (ICE) as shown on the Bloomberg System ("**Bloomberg**"); provided that: (a) for the period from the date of such Loan until the last day of the month in which such Loan is made, such rate shall be determined as of two (2) Business Days prior to the date of such Loan; and (b) if the Floating LIBOR Rate as determined pursuant to this definition shall be less than zero percent (0%), then the Floating LIBOR Rate shall be deemed to be zero percent (0%) for purposes of this Agreement; **provided, however, in the event any Borrower shall have entered into a Hedge Agreement with Administrative Agent or any Bank Product Provider, the foregoing floor rate of zero percent (0%) shall not be applicable during such time as such Hedge Agreement is in effect.** If such rate is not available on Bloomberg, then such offered rate shall be otherwise independently determined by Administrative Agent from an alternate, substantially similar independent source available to Administrative Agent or shall be calculated by Administrative Agent by a substantially similar methodology as that previously used to determine such rate, or it shall be calculated by any of Administrative Agent's successors and assigns. The Floating LIBOR Rate is not necessarily the lowest rate charged by Administrative Agent or any Lender on its loans.

1.51 "**Funded Debt**" shall mean, as of any date of determination, the principal portion of all Indebtedness (without duplication) of the Borrowers on a consolidated basis: (a) in respect of any borrowed money (including the Obligations); (b) evidenced by any loan or credit agreement, promissory note, debenture, bond, or other similar written obligation to pay money (including the Loan Documents); (c) under any Capitalized Lease; (d) for the deferred and unpaid purchase price of any property or business or any services (other than (without duplication) for purposes of this **clause (d)**), and (e) any guaranty or endorsement of, or responsibility for any Indebtedness of the types described in this definition; provided, that Funded Debt shall not include any Indebtedness: (i) relating to the sale of Bluegreen Corporation notes receivables; (ii) of Renin Holdings LLC, a Florida limited liability company; and (iii) any other Indebtedness that is not guaranteed by Parent or whose repayment does not adversely impact Parent's ability to obtain dividends from Bluegreen Corporation or other Subsidiaries.



1.52 "**GAAP**" shall mean generally accepted accounting principles in the United States of America as set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board which are applicable to the circumstances as of the date of determination consistently applied. In the event that any "Accounting Change(s)" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrowers and the Administrative Agent agree to enter into negotiations to amend such provisions of this Agreement so as to reflect equitably such Accounting Change(s) with the desired result that the criteria for evaluating the Borrowers' financial condition shall be substantially the same after such Accounting Change(s) as if such Accounting Change(s) had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrowers, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change(s) had not occurred. "**Accounting Change(s)**" refers to any changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC, or the adoption of the International Financial Reporting Standards (IFRS).

1.53 "**General Purposes**" shall mean, Loans made hereunder for general working capital purposes of the Parent and its Affiliates.

1.54 "**Governmental Authority**" shall mean any nation or government, any state, province, or other political subdivision thereof; any central bank (or similar monetary or regulatory authority) thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.55 "**Hazardous Materials**" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

1.56 "**Hedge Agreement**" shall mean an agreement between any Borrower and Administrative Agent or any Bank Product Provider that is a swap agreement as such term is defined in 11 U.S.C. Section 101, and including any rate swap agreement, basis swap, forward rate agreement, commodity swap, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, rate cap agreement rate, floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency option, any other similar agreement (including any option to enter into any of the foregoing or a master agreement for any the foregoing together with all supplements thereto) for the purpose of protecting against or managing exposure to fluctuations in interest or exchange rates, currency valuations or commodity prices; sometimes being collectively referred to herein as "**Hedge Agreements**".

1.57 "**IBERIABANK**" means **IBERIABANK**, a Louisiana state-chartered bank, in its individual capacity, and its successors and assigns.

1.58 **"Indebtedness"** shall mean, with respect to any Person, any liability, whether or not contingent: (a) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof) or evidenced by bonds, notes, debentures or similar instruments; (b) representing the balance deferred and unpaid of the purchase price of any property or services (except any such balance that constitutes an account payable to a trade creditor (whether or not an Affiliate) created, incurred, assumed or guaranteed by such Person in the ordinary course of business of such Person in connection with obtaining goods, materials or services that is not overdue by more than ninety (90) days, unless the trade payable is being contested in good faith); (c) all obligations as lessee under leases which have been, or should be, in accordance with GAAP recorded as Capital Leases; (d) any contractual obligation, contingent or otherwise, of such Person to pay or be liable for the payment of any indebtedness described in this definition of another Person, including, without limitation, any such indebtedness, directly or indirectly guaranteed, or any agreement to purchase, repurchase, or otherwise acquire such indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof, or to maintain solvency, assets, level of income, or other financial condition; (e) all obligations with respect to redeemable stock or redemption or repurchase obligations under any Capital Stock or other equity securities issued by such Person; (f) all reimbursement obligations and other liabilities of such Person with respect to surety bonds (whether bid, performance or otherwise), letters of credit, banker's acceptances, drafts or similar documents or instruments issued for such Person's account; (g) all indebtedness of such Person in respect of indebtedness of another Person for borrowed money or indebtedness of another Person otherwise described in this definition which is secured by any consensual lien, security interest, collateral assignment, conditional sale, mortgage, deed of trust, or other encumbrance on any asset of such Person, whether or not such obligations, liabilities or indebtedness are assumed by or are a personal liability of such Person, all as of such time; and (h) obligations, liabilities and indebtedness, net of any asset value of such Person (marked to market) arising under Hedge Agreements and other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency or commodity values; provided, that, Indebtedness shall not include: (i) trade payables and accrued expenses, in each case payable directly or through a bank clearing arrangement and arising in the ordinary course of business; and (ii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller.

1.59 **"Indemnified Taxes"** shall mean Taxes other than Excluded Taxes and Other Taxes.

1.60 **"Initial Maturity Date"** shall mean March 6, 2020.

1.61 **"Interest Expense"** shall mean, for any period, as to any Person, as determined in accordance with GAAP, the total interest expense of such Person.

1.62 **"Interest Period"** shall mean for any Floating LIBOR Rate Loan, a period of one (1) month, provided that: (i) the initial Interest Period may be less than one (1) month, if the initial funding date of the Loan is a day other than the first Business Day of a calendar month; and (ii) no Interest Period shall extend beyond the Maturity Date.

1.63 **"Interest Rate"** shall mean, as the context may require: (i) as to Prime Rate Loans, the Prime Rate plus the Applicable Margin; and (ii) as to Floating LIBOR Rate Loans, the Floating LIBOR Rate plus the Applicable Margin.

1.64 **"Issuing Bank"** shall mean IBERIABANK or any Lender that is approved by Administrative Agent that shall issue a Letter of Credit for the account of a Borrower and have agreed in a manner reasonably satisfactory to Administrative Agent to be subject to the terms hereof as an Issuing Bank.

1.65 "**Lenders**" shall mean the financial institutions who are signatories hereto as Lenders and other persons made a party to this Agreement as a Lender in accordance with **Section 12.7** hereof, and their respective successors and assigns; each sometimes being referred to herein individually as a "Lender".

1.66 "**Lending Office**" shall mean the office designated as such by the applicable Lender at the time it becomes party to this Agreement or thereafter by notice to Administrative Agent and Borrower Agent.

1.67 "**Letter of Credit**"/"**Letters of Credit**" shall mean, individually and collectively (as the context may require), any letter of credit or letters of credit which is or are from time to time either issued or opened by Administrative Agent or any Lender for the account of any Borrower.

1.68 "**Letter of Credit Fee**" shall mean an amount equal to the applicable Revolver LIBOR Margin per annum payable on the average outstanding Letters of Credit, payable quarterly in arrears.

1.69 "**Letter of Credit Issuer Fee**" shall mean a fee shall be payable to the Issuing Bank for its own account with respect to each Letter of Credit equal to twelve and one-half basis points (12.5 bps or .125%) per annum.

1.70 "**Letter of Credit Purposes**" shall mean, the issuance of any Letters of Credit which are from time to time either issued or opened by Administrative Agent or any Lender for the account of any Borrower.

1.71 "**Letter of Credit Sublimit**" shall mean an amount up to but not exceeding \$10,000,000.00; provided, however, that a Lender may not issue a Letter of Credit in excess of the amount of the Lender's Pro Rata Share.

1.72 "**Loan**"/"**Loans**" shall mean individually and collectively (as the context may require) the loans now or hereafter made by or on behalf of any Lender or by Administrative Agent for the account of any Lender on a revolving basis pursuant to the Credit Facility (involving advances, repayments and readvances) as set forth in **Section 2.1** hereof.

1.73 "**Loan Documents**" shall mean, collectively, this Agreement, the Notes, the Security Agreement, any deposit account control agreements, investment property control agreements, intercreditor agreements and any and all other instruments, agreements, documents and writings executed in connection with the Loans and any of the foregoing.

1.74 "**Material Adverse Effect**" shall mean a material adverse effect (as determined by Administrative Agent in the exercise of its Permitted Discretion) on: (a) the financial condition, business, performance or operations of Borrowers (taken as a whole) or the legality, validity or enforceability of this Agreement or any of the other Loan Documents; (b) the legality, validity, enforceability, perfection or priority of the security interests and liens of Administrative Agent upon the Collateral; (c) the Collateral or its value; (d) the ability of the Borrowers (taken as a whole) to repay the Obligations or perform their obligations under this Agreement or any of the other Loan Documents as and when to be performed; or (e) the ability of Administrative Agent or any Lender to enforce the Obligations or realize upon the Collateral or otherwise with respect to the rights and remedies of Administrative Agent and Lenders under this Agreement or any of the other Loan Documents; provided, that: (i) events, circumstances, changes, effects or conditions with respect to the Borrowers disclosed in any Form 10-K, Form 10-Q or Form 8-K filed by

any of the Borrowers with the SEC prior to the date hereof shall not constitute a "Material Adverse Effect"; and (ii) changes after the closing date in global, national or regional political conditions (including the outbreak or war or terrorism) or in economic or market affecting the business generally in the same industry as the Borrowers shall not constitute a "Material Adverse Effect" except to the extent that any such changes have materially disproportionate adverse effects on the Borrowers (taken as a whole).

1.75 "**Material Contract**" shall mean any contract, other agreement (other than the Loan Documents) or amendment thereto, written or oral, which a Borrower is required to file under SEC rules as an exhibit to any filing required or permitted to be made by it pursuant to the Exchange Act.

1.76 "**Maturity Date**" shall mean the Initial Maturity Date, unless the Initial Maturity Date shall have been extended for an Extension Option, in which case the term "Maturity Date" shall mean the date of the expiration of the applicable Extension Option.

1.77 "**Maximum Credit**" shall mean \$50,000,000.00.

1.78 "**Note**"/"**Notes**" shall mean, individually or collectively as the context permits or requires, the promissory note or promissory notes made by Borrowers in favor of any Lender and evidencing that portion of the Loan owing to such Lender, which collectively equal the aggregate principal amount of the Loan, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time with the written consent of Administrative Agent.

1.79 "**Multiemployer Plan**" shall mean a "multi-employer plan" as defined in Section 4001(a) (3) of ERISA which is or was at any time during the current year or the immediately preceding six (6) years contributed to by any Borrower or any ERISA Affiliate.

1.80 "**Obligations**" shall mean: (a) any and all Loans, and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Administrative Agent or any Lender or any Issuing Bank, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or any of the other Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to such Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, or secured or unsecured and (b) for purposes only of **Section 5.1** hereof and subject to the priority in right of payment set forth in **Section 6.3** hereof, all obligations, liabilities and indebtedness of every kind, nature and description owing by any or all Borrowers to Administrative Agent or any Bank Product Provider arising under or pursuant to any Bank Products, whether now existing or hereafter arising, provided, that: (i) as to any such obligations, liabilities and indebtedness arising under or pursuant to a Hedge Agreement, the same shall only be included within the Obligations if, upon Administrative Agent's request, Administrative Agent shall have entered into an agreement, in form and substance satisfactory to Administrative Agent, with the Bank Product Provider that is a counterparty to such Hedge Agreement, as acknowledged and agreed to by Borrowers, providing for the delivery to Administrative Agent by such counterparty of information with respect to the amount of such obligations and providing for the other rights of Administrative Agent and such Bank Product Provider in connection with such arrangements; (ii) as to any such obligations, liabilities and indebtedness arising under or pursuant to a Bank Product (other than a Hedge Agreement if Administrative Agent has requested the agreement referred to in **clause (i)** above), the same shall only be included within the Obligations if the

Bank Product Provider with respect thereto shall have delivered written notice to Administrative Agent that: (A) such Bank Product Provider has entered into a transaction to provide Bank Products to a Borrower; and (B) the obligations arising, pursuant to such Bank Products provided to Borrowers constitute Obligations entitled to the benefits of the security interest of Administrative Agent granted hereunder, and Administrative Agent shall have accepted such notice in writing (provided, that, no such notice or acceptance shall be required as to such obligations, liabilities and indebtedness arising under or pursuant to a Bank Product provided by or owing to IBERIABANK or any of its Affiliates); and (iii) in no event shall any Bank Product Provider acting in such capacity to whom such obligations, liabilities or indebtedness are owing be deemed a Lender for purposes hereof to the extent of and as to such obligations, liabilities or indebtedness except that each reference to the term "Lender" in **Sections 11.1, 11.2, 11.3(b), 11.5, 11.6, 11.7, 11.8, 11.10 and 12.6** hereof shall be deemed to include such Bank Product Provider and in no event shall the approval of any such person in its capacity as Bank Product Provider be required in connection with the release or termination of any security interest or lien of Administrative Agent.

1.81 "**Obligor**" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, other than Borrowers.

1.82 "**OFAC**" shall mean The Office of Foreign Assets Control of the U.S. Department of the Treasury.

1.83 "**Other Connection Taxes**" shall mean, with respect to Administrative Agent, any Lender or any Issuing Bank, Taxes imposed as a result of a present or former connection between Administrative Agent, such Lender or such Issuing Bank and the jurisdiction imposing such Tax (other than connections arising from Administrative Agent, such Lender or such Issuing Bank having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document pursuant to **Section 12.7(h)** hereof).

1.84 "**Other Taxes**" shall mean any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Loan Documents.

1.85 "**Parent**" shall mean **BBX CAPITAL CORPORATION**, a Florida corporation, and its successors and assigns.

1.86 "**Participant**" shall mean any financial institution that acquires and holds a participation in the interest of any Lender in any of the Loans in conformity with the provisions of **Section 12.7** of this Agreement governing participations.

1.87 "**Payment Office**" shall mean the office of Administrative Agent located at 11 East Greenway Plaza, Suite 2700, Houston, Texas 77046; Attention Commercial Loan Operations, or such other location as to which Administrative Agent shall have given written notice to Borrowers and the other Lenders.

1.88 "**Permitted Discretion**" shall mean as used in this Agreement with reference to Administrative Agent, a determination made in good faith in the exercise of its reasonable business judgment based on how a lender with similar rights providing a credit facility of the type set forth herein

would act, in the circumstances then applicable to Borrowers at the time with the information then available to it.

1.89 "**Permitted Holders**" shall mean, as of the date of determination: (a) Alan B. Levan, Jarrett S. Levan and/or Mr. John E. Abdo, their spouses, their respective lineal descendants and the spouses of such lineal descendants; (b) any Person controlled by any of the Persons included in **clause (a)** of this definition (as the term "controlled" is defined in the definition of the term "Affiliate" herein); and (c) trusts for the benefit of any of the persons included in **clause (a)** of this definition.

1.90 "**Person**" or "**person**" shall mean any individual, sole proprietorship, partnership, corporation (including any corporation that elects subchapter S status under the Code), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.91 "**Plan**" means an employee benefit plan (as defined in Section 3(3) of ERISA) which any Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a Multiemployer Plan has made contributions at any time during the immediately preceding six (6) plan years.

1.92 "**Prime Rate**" shall mean at any time, the rate of interest per annum then most recently published in The Wall Street Journal (or any successor publication if The Wall Street Journal is no longer published) in the "Money Rates" section (or such successor section) as the "Prime Rate." If a range of prime interest rates per annum is so published, "Prime Rate" shall mean the highest rate per annum in such published range. If the definition of "Prime Rate" is no longer published in The Wall Street Journal (or any successor thereto), "Prime Rate" shall mean, at any time, the rate of interest per annum then most recently established by Administrative Agent as its prime rate. The Prime Rate is not necessarily the lowest rate charged by Administrative Agent or any Lender on their loans. **Notwithstanding the foregoing, in no event shall the Prime Rate be less than a floor rate equal to three percent (3%) per annum; provided, however, in the event any Borrower shall have entered into a Hedge Agreement with Administrative Agent or any Bank Product Provider, the foregoing floor rate of three percent (3%) per annum shall not be applicable during such time as such Hedge Agreement is in effect.**

1.93 "**Prime Rate Loans**" shall mean any Loans or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms thereof.

1.94 "**Pro Rata Share**" shall mean as to any Lender, the fraction (expressed as a percentage) the numerator of which is such Lender's Commitment and the denominator of which is the aggregate amount of all of the Commitments of Lenders, as adjusted from time to time in accordance with the provisions of **Section 12.7** hereof provided, that, if the Commitments have been terminated, the numerator shall be the unpaid amount of such Lender's Loans and the denominator shall be the aggregate amount of all unpaid Loans.

1.95 "**Provision for Taxes**" shall mean an amount equal to all taxes imposed on or measured by net income, whether Federal, State, Provincial, county or local, and whether foreign or domestic, that are paid or payable by any Person in respect of any period in accordance with GAAP.

1.96 "**Real Estate Investment Availability**" shall mean an amount up to but not exceeding \$20,000,000.00.

1.97 "**Real Estate Investment Purposes**" shall mean, Loans made hereunder for the acquisition or investment in real estate by any Borrower or its Subsidiaries.

1.98 "**Reference Bank**" shall mean IBERIABANK, or such other bank as Administrative Agent may from time to time designate.

1.99 "**Register**" shall have the, meaning set forth in **Section 12.7** hereof.

1.100 "**Required Lenders**" shall mean: (i) if, at any time there are only two (2) Lenders, then one hundred percent (100%) of such Lenders; and (ii) if there are three (3) or more Lenders, then, those Lenders whose Pro Rata Shares aggregate more than sixty-six and 67/100 percent (66.67%) of the aggregate of the Commitments of all Lenders, or if the Commitments shall have been terminated, Lenders to whom at least sixty-six and 67/100 percent (66.67%) of the then outstanding Obligations are owing; provided, that, at any time that there are two (2) or more Lenders outstanding, the "Required Lenders" shall consist of at least two (2) Lenders that are not Affiliates of one another.

1.101 "**Sanctioned Entity**" shall mean: (a) a country or a government of a country; (b) an agency of the government of a country; (c) an organization directly or indirectly controlled by a country or its government; (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

1.102 "**Sanctioned Person**" shall mean a person named on the list of Specially Designated Nationals maintained by OFAC.

1.103 "**SEC**" shall mean the United States Securities and Exchange Commission and any successor thereto.

1.104 "**Secured Parties**" shall mean, collectively: (a) Administrative Agent; (b) Lenders; (c) the Issuing Bank and (d) any Bank Product Provider; provided, that: (i) as to any Bank Product Provider, only to the extent of the Obligations owing to such Bank Product Provider and (ii) such parties are sometimes referred to herein individually as a "Secured Party".

1.105 "**Security Agreement**" shall mean that certain Pledge and Security Agreement dated of even date herewith made by Parent in favor of Administrative Agent for the benefit of itself and the Lenders, with respect to Parent's pledging of a security interest in and to the "Membership Interests" described in **Section 5**.

1.106 "**Senior Funded Debt**" shall mean Funded Debt other than Subordinated Debt.

1.107 "**Significant Subsidiary**" shall mean any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X of the Exchange Act, as in effect from time to time.

1.108 "**Solvent**" shall mean, at any time with respect to any Person, that at such time such Person: (a) is able to pay its debts as they mature and has (and has a reasonable basis to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business consistent with its practices as of the date hereof; and (b) the assets and properties of such Person at a fair valuation (and including as assets for this purpose at a fair valuation all rights of subrogation, contribution or indemnification arising pursuant to any guarantees given by such Person) are greater than the Indebtedness of such Person, and including subordinated and contingent liabilities computed at the amount which, such

person has a reasonable basis to believe, represents an amount which can reasonably be expected to become an actual or matured liability (and including as to contingent liabilities arising pursuant to any guarantee the face amount of such liability as reduced to reflect the probability of it becoming a matured liability).

1.109 "**Special Agent Advances**" shall have the meaning set forth in **Section 11.9** hereof.

1.110 "**Stock Buy Back Availability**" shall mean an amount up to but not exceeding \$10,000,000.00.

1.111 "**Stock Buy Back Purposes**" shall mean Loans made hereunder for stock repurchases.

1.112 "**Subordinated Debt**" shall mean Borrowers' Indebtedness that is subordinated to the repayment of the Obligations to Lender pursuant to a written subordination agreement in form and substance satisfactory to Administrative Agent in its sole discretion.

1.113 "**Subsidiary**" or "**subsidiary**" shall mean, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding Capital Stock or other interests entitled to vote in the election of the board of directors of such corporation (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency), managers, trustees or other controlling persons, or an equivalent controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more subsidiaries of such Person.

1.114 "**Taxes**" shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

1.115 "**UCC**" shall mean the Uniform Commercial Code as in effect in the State of Florida, and any successor statute, as in effect from time to time (except, that, terms used herein which are defined in the Uniform Commercial Code as in effect in the State of Florida on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Administrative Agent may otherwise reasonably determine).

1.116 "**Unencumbered Liquidity**" shall mean the sum of, without duplication, the Unencumbered Liquid Assets.

1.117 "**Unencumbered Liquid Assets**" shall mean cash or cash equivalents of Borrowers on a consolidated basis (i.e., bank deposits, funds in money market accounts and certificates of deposit) held in the United States and denominated in United States Dollars (excluding assets of any retirement plan) which: (i) are not the subject of any lien, pledge, security interest or other arrangement with any creditor to have its claim satisfied out of the asset (or proceeds thereof) prior to the general creditors of the owner of the asset; and (ii) may be converted to cash within five (5) days.

1.118 "**Voting Stock**" shall mean with respect to any Person: (a) one (1) or more classes of Capital Stock of such Person having general voting powers to elect directors, managers or trustees of such Person, irrespective of whether at the time Capital Stock of any other class or classes have or might have voting power by reason of the happening of any contingency; and (b) any Capital Stock of such Person



convertible or exchangeable without restriction at the option of the holder thereof into Capital Stock of such Person described in **clause (a)** of this definition.

1.119 "**Wholly-Owned**" shall mean with respect to any Person at any time, any Subsidiary, one hundred percent (100%) of whose Capital Stock is at such time owned, directly or indirectly, by such Person.

1.120 "**Woodbridge Holdings**" shall mean **WOODBRIIDGE HOLDINGS, LLC**, a Florida limited liability company.

1.121 "**Woodbridge Holdings Operating Agreement**" shall mean that certain Second Amended and Restated Operating Agreement of Woodbridge Holdings, LLC dated January 1, 2017, as amended by that certain First Amendment to Second Amended and Restated Operating Agreement of Woodbridge Holdings, LLC dated March 6, 2018, as amended.

## **SECTION 2. CREDIT FACILITIES**

### **2.1 Loans.**

(a) Subject to and upon the terms and conditions contained herein, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers from time to time in amounts requested by a Borrower (or Borrower Agent on behalf of Borrowers) up to the amount outstanding at any time equal to the lesser of: (i) the applicable Availability at such time; or (ii) the Maximum Credit for the following: (a) General Purposes; (b) Letter of Credit Purposes; (c) Business Acquisition Purposes; (d) Real Estate Investment Purposes; and (e) Stock Buy-Back Purposes.

(b) Except in Administrative Agent's discretion, with the consent of all Lenders, or as otherwise provided herein the aggregate amount of the Loans outstanding at any time shall not exceed the Maximum Credit.

(c) In the event that the aggregate principal amount of the Loans exceed the Maximum Credit, such event shall not limit, waive or otherwise affect any rights of Administrative Agent or Lenders in such circumstances or on any future occasions, Borrowers shall, upon demand by Administrative Agent, which may be made at any time or from time to time, immediately repay to Administrative Agent the entire amount of any such excess(es) for which payment is demanded.

(d) In connection with the foregoing, as of the Closing Date, the Lenders shall consist of Administrative Agent and City National. The Pro Rata Share of the Loans shall be as follows: (i) Administrative Agent's Pro Rata Share of the Loans shall be \$35,000,000.00 (or 70%); and (ii) City National's Pro Rata Share of the Loans shall be \$15,000,000.00 (or 30%).

### **2.2 Loans for General Purposes.**

(a) Subject to Availability, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers for General Purposes.

(b) Any funding under the Letter of Credit Sublimit shall decrease (on a dollar for dollar basis) funding for any General Purposes.

### 2.3 Loans for Letter of Credit Purposes.

(a) Subject to Availability, the Letter of Credit Sublimit, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers for Letter of Credit Purposes.

(b) In addition, the issuance of any Letters of Credit shall be subject to the following:

(i) the expiration date of any Letter of Credit shall not extend beyond the Maturity Date;

(ii) any outstanding Letters of Credit with maturities beyond the Maturity Date shall, no later than such Maturity Date, be promptly cash collateralized in an amount of not less than one hundred ten percent (110%) of the amount of the outstanding Letters of Credit plus the amount of any fees and expenses payable in connection therewith through the end of the latest expiration date of such outstanding Letters of Credit;

(iii) the aggregate number of issued and outstanding Letters of Credit shall not exceed fifteen (15) at any one time;

(iv) drawings under any Letter of Credit shall be reimbursed by the applicable Borrower (whether with its own funds or with the proceeds of the Loans) on the same business day as such drawings shall occur; provided, however, that to the extent that such Borrower does not so reimburse the Issuing Lender, the Lenders shall be irrevocably and unconditionally obligated to reimburse the Issuing Lender based upon each Lender's Pro Rata Share;

(v) except in Administrative Agent's discretion, with the consent of all Lenders, the amount of all outstanding Letters of Credit made or incurred by one or more Issuing Banks in connection therewith shall not at any one time exceed the Letter of Credit Sublimit; and

(vi) the issuance of any Letters of Credit under the Letter of Credit Sublimit shall decrease (on a dollar for dollar basis) funding for any General Purposes.

(c) In addition to the Letter of Credit Issuer Fee and any charges, fees or expenses charged by any Issuing Bank in connection with the issuance of any Letters of Credit, Borrowers shall pay to Administrative Agent, for the benefit of Lenders, the Letter of Credit Fee.

(d) The Borrower requesting the issuance of any Letters of Credit (or Borrower Agent on behalf of such Borrower) shall give Administrative Agent seven (7) Business Days' prior written notice of such Borrower's request for the issuance of such Letters of Credit. Such notice shall be irrevocable and shall specify the original face amount of the requested Letters of Credit, the effective date (which date shall be a Business Day) of issuance of such requested Letters of Credit, whether such Letter of Credit may be drawn in a single or partial draws, subject to **Section 2.3(b)**, the date on which such requested Letters of Credit is to expire, the purpose for which such Letter of Credit is to be issued, and the beneficiary of the requested Letter of Credit. The Borrower requesting the Letter of Credit (or Borrower Agent on behalf of such Borrower) shall attach to such notice the proposed terms of the Letter of Credit.

(e) In addition to the terms and conditions set for in this **Section 2**, and the other terms and conditions contained herein, no Letters of Credit shall be available for issuance unless each of the following conditions precedent have been satisfied in a manner satisfactory to Administrative Agent: (i) the Borrower requesting such Letter of Credit (or Borrower Agent on behalf of such Borrower) shall have delivered to the proposed Issuing Bank of such Letter of Credit at such times and in such manner as such proposed Issuing Bank may require, an application, in form and substance satisfactory to such proposed Issuing Bank and Administrative Agent, for the issuance of the Letter of Credit and such other documents as may be required pursuant to the terms thereof, and the form and terms of the proposed Letter of Credit shall be satisfactory to Administrative Agent and such proposed Issuing Bank; and (ii) as of the date of issuance, no order of any court, arbitrator or other Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed Issuing Bank of such Letter of Credit refrain from, the issuance of letters of credit generally or the issuance of such Letter of Credit.

(f) Borrowers shall indemnify and hold Administrative Agent and Lenders harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Administrative Agent or any Lender may suffer or incur in connection with any Letter of Credit and any documents, drafts or acceptances relating thereto, including any losses, claims, damages, liabilities, costs and expenses due to any action lawfully taken by any Issuing Bank or correspondent with respect to any Letter of Credit, except for such losses, claims, damages, liabilities, costs or expenses that are a direct result of the gross negligence or willful misconduct of Administrative Agent or any Lender as determined pursuant to a final non-appealable order of a court of competent jurisdiction. Each Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit. Each Borrower assumes all risks for, and agrees to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credits or any documents, drafts or acceptances thereunder. Each Borrower hereby releases and holds Administrative Agent and Lenders harmless from and against any acts, waivers, errors, delays or omissions, whether caused by any Borrower, by any Issuing Bank or correspondent or otherwise with respect to or relating to any Letter of Credit, except for the gross negligence or willful misconduct of Administrative Agent or any Lender as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. The provisions of this **Section 2.3(f)** shall survive the payment of Obligations and the termination of this Agreement. This **Section 2.3(f)** shall not apply with respect to Taxes other than any Taxes that represent claims, costs, losses, liabilities, damages or expenses arising from any non-Tax claim.

(g) Each Borrower hereby irrevocably authorizes and directs any Issuing Bank of a Letter of Credit to name such Borrower as the account party therein and to deliver to Administrative Agent all instruments, documents and other writings and property received by Issuing Bank pursuant to such Letter of Credit and to accept and rely upon Administrative Agent's instructions and agreements with respect to all matters arising in connection with such Letter of Credit or the applications therefore. Nothing contained herein shall be deemed or construed to grant any Borrower any right or authority to pledge the credit of Administrative Agent or any Lender in any manner. Administrative Agent and Lenders shall have no liability of any kind with respect to any Letter of Credit provided by an Issuing Bank other than Administrative Agent or any Lender unless Administrative Agent has duly executed and delivered to such Issuing Bank the application or a guarantee or indemnification in writing with respect to such Letter of Credit. Borrowers shall be bound by any reasonable interpretation made in good faith by Administrative Agent, or any other Issuing Bank or correspondent under or in connection with any Letter of Credit or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may

be inconsistent with any instructions of any Borrower; provided, that, the foregoing shall not be deemed to release Administrative Agent or any Issuing Bank from any liability as a result of the failure of such Issuing Bank to follow any reasonable instructions of any Borrower given in accordance with the terms hereof in connection with any application for a Letter of Credit or a guarantee or indemnification provided by the Administrative Agent constituting a Letter of Credit at the request of such Borrower or to the extent such instructions are consistent with the interpretation made by Administrative Agent or Issuing Bank or correspondent.

(h) Any rights, remedies, duties or obligations granted or undertaken by any Borrower to any Issuing Bank or correspondent in any application for any Letter of Credit, or any other agreement in favor of any Issuing Bank or correspondent relating to any Letter of Credit, shall be deemed to have been granted or undertaken by such Borrower to Administrative Agent for the ratable benefit of Lenders

(i) Any duties or obligations undertaken by Administrative Agent to any Issuing Bank or correspondent in any application for any Letter of Credit, or any other agreement by Administrative Agent in favor of any Issuing Bank or correspondent to the extent relating to any Letter of Credit, shall be deemed to have been undertaken by Borrowers to Administrative Agent for the ratable benefit of Lenders and to apply in all respects to Borrowers.

(j) Immediately upon the issuance or amendment of any Letter of Credit, each Lender shall be deemed to have irrevocably and unconditionally purchased and received, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Pro Rata Share of the liability with respect to such Letter of Credit (including, without limitation, all Obligations with respect thereto).

#### 2.4 **Loans for Business Acquisition Purposes**

(a) Subject to Availability, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers for Business Acquisition Purposes.

(b) Funding of Loans for Business Acquisition Purposes shall further be subject to the foregoing:

(i) the business acquisition for which funding is requested must be within the scope of the Borrower and Subsidiary making the acquisition or a direct complement to the line of business, as determined by Administrative Agent in its Permitted Discretion;

(ii) the Borrower requesting the Loan for Business Acquisition Purposes (or Borrower Agent on behalf of such Borrower) shall give Administrative Agent not less than thirty (30) day prior written notice of such Borrower's request for the Loan for Business Acquisition Purposes;

(iii) any funding in excess of \$5,000,000.00 will need Administrative Agent approval prior to funding (which it may withhold in its Permitted Discretion);

(iv) no funding for any business acquisition in any operating company having a debt to cash flow ratio at the closing of such acquisition of greater than 5.5:1 (as determined by Administrative Agent in its Permitted Discretion) shall be permitted without Administrative Agent's approval which it may withhold in its Permitted Discretion;

(v) no funding for any business acquisition in any operating company having EBITDA losses in the four (4) preceding quarters (as determined by Administrative Agent in its Permitted Discretion) shall be permitted without Administrative Agent's approval which it may withhold in its Permitted Discretion;

(vi) no funding for any business acquisition in any operating company which is headquartered, or has a material portion of its assets or operations located, outside the U.S. (as determined by Administrative Agent in its Permitted Discretion) shall be permitted without Administrative Agent's approval which it may withhold in its Permitted Discretion;

(vii) no funding for any business acquisition in any operating company shall be permitted whereby any Borrower shall assume any debt of such operating company other than the purchase money debt of such operating company in such amount and of such type as shall be acceptable to Administrative Agent in its Permitted Discretion;

(viii) a minimum of eighty percent (80%) of the funding for such Business Acquisition Purposes must be paid back on the earlier to occur of the following dates: (x) that date which is one hundred eighty (180) days from the date of closing of the acquisition; or (y) the Maturity Date; and

(ix) except in Administrative Agent's discretion, with the consent of all Lenders, Loans for Business Acquisition Purposes shall not at any one time exceed the Business Acquisition Availability.

## **2.5 Loans for Real Estate Investment Purposes.**

(a) Subject to Availability, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers for Real Estate Investment Purposes.

(b) Funding of Loans for Real Estate Investment Purposes shall further be subject to the foregoing:

(i) the acquisition or investment in real estate for which funding is requested must be within the scope of the Subsidiary making the acquisition or investment, as determined by Administrative Agent in its Permitted Discretion;

(ii) the Borrower requesting the Loan for Real Estate Investment Purposes (or Borrower Agent on behalf of such Borrower) shall give Administrative Agent not less than thirty (30) day prior written notice of such Borrower's request for the Loan for Real Estate Investment Purposes;

(iii) no funding in excess of \$5,000,000.00 shall be permitted within one hundred eighty (180) days of the Maturity Date;

(iv) any funding in excess of \$5,000,000.00 will need Administrative Agent approval prior to funding (which it may withhold in its Permitted Discretion);

(v) Administrative Agent (and any Lender so requesting) shall have received such standard due diligence based on the nature of the real estate transaction as shall be requested by Administrative Agent; and

(vi) except in Administrative Agent's discretion, with the consent of all Lenders, Loans for Real Estate Investment Purposes made or incurred by Administrative Agent or any Lender in connection therewith shall not at any one time exceed the Real Estate Investment Availability.

## 2.6 **Loans for Stock Buy Back Purposes.**

(a) Subject to Availability, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, each Lender severally (and not jointly) agrees to make its Pro Rata Share of Loans to Borrowers for Stock Buy Back Purposes.

(b) Except in Administrative Agent's discretion, with the consent of all Lenders, Loans for Stock Buy Back Purposes made or incurred by Administrative Agent or any Lender in connection therewith shall not at any one time exceed the Stock Buy Back Availability and shall decrease (on a dollar for dollar basis) the Business Acquisition Availability and the Real Estate Investment Availability.

(c) In addition to the foregoing and provided that no Event of Default shall then be occurring, subject to the approval of the Required Lenders, Parent shall have a one-time right to increase the Stock Buy Back Availability to \$30,000,000.00 for the sole purpose of funding Parent's buy back of its Capital Stock; provided, however, that one hundred percent (100%) of the funding used for funding Parent's buy back of its Capital Stock must be paid back on the earlier to occur of the following dates: (x) that date which is twelve (12) months from the date of closing of the funding; or (y) the Maturity Date.

2.7 **Commitments.** The aggregate amount of each Lender's Pro Rata Share of the Loans shall not exceed the amount of such Lender's Commitment, as the same may from time to time be amended in accordance with the provisions hereof.

## 2.8 **Draw Requests.**

(a) In order to request any funding of the Loans, Borrower Agent shall deliver to Administrative Agent a properly completed and executed written application in the form of **Exhibit C** attached hereto ("**Draw Request**"), together with such other information as shall be requested by Administrative Agent (and any other Lender) based upon the specifics of the purpose for which the Loan is requested.

(b) The following individuals are authorized by Borrower Agent to sign Draw Requests on behalf of the Borrower Agent:

**Authorized Individual**

**Title**

Jarett S. Levan

President, BBX Capital Corporation

Raymond S. Lopez

Chief Financial Officer, BBX Capital Corporation

Each of the foregoing individuals referred to herein is an "**Authorized Representative**." Borrower Agent may designate additional individuals as Authorized Representatives, or relieve individuals of their status as Authorized Representatives, by delivering a duly authorized and executed written notice thereof to Administrative Agent, such written notice to be in form and substance satisfactory to Administrative Agent in its discretion and accompanied by such evidence of due authorization thereof as Administrative Agent may require (any such written notice an "**Authorized Representative Change Notice**"). An Authorized Representative Change Notice will be effective only with respect to Draw Requests and approvals from and after the date of Administrative Agent's written acknowledgement of receipt thereof.

(c) Administrative Agent shall, subject to Availability, satisfaction of the Conditions for Advances, the terms and conditions of **Section 2.1** and compliance with the other terms and conditions set forth elsewhere in this Agreement, be required to make the requested advance to such Borrower on a Business Day within five (5) Business Days after Administrative Agent's determination that all conditions precedent to such funding shall have been satisfied. Each Draw Request, and such Borrower's acceptance of any advance of the Loan under such Draw Request, shall be deemed to ratify and confirm, as of the date of the requisition and the advance, respectively, that: (i) all representations and warranties in **Section 7** (Representations and Warranties), elsewhere herein and in the other Loan Documents remain true and correct in all material respects, and all covenants and agreements in the Loan Documents remain satisfied in all material respects; (ii) there is no uncured Default or Event of Default existing under the Loan Documents; (iii) all Conditions for Advances are satisfied; and (iv) the proceeds of the advance requested in the Draw Request will be disbursed, for the purposes specified in the Draw Request and for no other purpose.

**SECTION 3. REPAYMENT, INTEREST AND FEES AND PREPAYMENT**

3.1 **Repayment of Loans**. The Loans shall be repaid in monthly payments of accrued interest only based upon the applicable Interest Rate with the entire principal balance of the Notes then unpaid, together with all accrued and unpaid interest and all other amounts payable thereunder and under the other Loan Documents being due and payable in full on the Maturity Date. Borrowers shall make each payment required to be made by it hereunder (whether of principal, interest, fees, or of amounts payable under **Section 3.5** or otherwise) prior to 12:00 p.m. EST, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to Administrative Agent at its Payment Office (except that payments made pursuant to **Section 3.5** shall be made directly to the Persons entitled thereto), or by such other means, such as wire or other electronic means of transfer as agreed to by and between Borrowers and Administrative Agent. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in United States Dollars.

3.2 **Prepayments**. Borrowers shall have the right at any time and from time to time to prepay the Loans, in whole or in part, without premium or penalty, by giving irrevocable written notice

(or telephonic notice promptly confirmed in writing) of its intention to prepay to Administrative Agent no later than three (3) Business Days prior to the date of such prepayment. Each such notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of the Loan or portion thereof to be prepaid. Upon receipt of any prepayment notice, Administrative Agent shall promptly notify each affected Lender of the contents thereof and of such Lender's Pro Rata Share of any such prepayment. Such amount shall be due and payable on the date designated in such notice, together with accrued interest to such date on the amount so prepaid based upon the Interest Rate; provided that if all or any portion of the Loans is prepaid on a date other than the last day of an Interest Period applicable thereto, Borrowers shall also pay all amounts required pursuant to **Section 3.5(e)**. Each prepayment of the Loan shall be applied to principal installments in inverse order of maturity.

### 3.3 **Interest.**

(a) Borrowers shall pay to Administrative Agent, for the benefit of Lenders, interest on the outstanding principal amount of the Loans at the applicable Interest Rate. All interest accruing hereunder on and after the date of any Event of Default or termination hereof shall be payable on demand.

(b) Subject to the terms and conditions contained herein, any Borrower (or Borrower Agent on behalf of such Borrower) may from time to time request Loans, which request shall be made to Administrative Agent; provided, that, any such request from a Borrower (or Borrower Agent on behalf of such Borrower) shall specify whether such Loan shall be a Floating LIBOR Rate Loan or a Prime Rate Loan.

(c) Interest shall be payable by Borrowers to Administrative Agent, for the account of Lenders, monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate on non-contingent Obligations (other than Floating LIBOR Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate, effective on the first day of the month after any change in the Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs. In no event shall charges constituting interest payable by Borrowers to Administrative Agent and Lenders exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any such part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

(d) Notwithstanding anything to the contrary contained in the Loan Agreement, for each day hereafter, all Loans made by Lenders to any Borrower shall be Floating LIBOR Rate Loans, except to the extent that: (i) any Borrower (or Borrower Agent on behalf of such Borrower) requests a Prime Rate Loan; (ii) Floating LIBOR Rate Loans are no longer available hereunder; or (iii) Floating LIBOR Rate Loans are converted into Prime Rate Loans, in each case in accordance with the terms of the Loan Agreement.

(e) Each Borrower (or Borrower Agent on behalf of such Borrower) may from time to time request that Floating LIBOR Rate Loans be converted to Prime Rate Loans effective as of the first day of the following month. Such request shall be effective only for the month specified and shall be delivered to Administrative Agent no later than three (3) Business Days prior to the beginning of such month. Any notice delivered by a Borrower (or Borrower Agent on behalf of such Borrower) to convert Floating LIBOR Rate Loans to Prime Rate Loans or to continue any existing Prime Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Administrative Agent and Lenders shall not be required to purchase United States dollar deposits in the London interbank market or other



applicable Floating LIBOR Rate market to fund any Floating LIBOR Rate Loans, but the provisions hereof shall be deemed to apply as if Administrative Agent and Lenders had purchased such deposits to fund the Floating LIBOR Rate Loans.

### 3.4 **Fees, Late Fee and Default Rate**

(a) If the aggregate outstanding principal balance of all Loans is **equal to** or greater than fifty percent (50%) of the Maximum Credit, a fee equal to twenty-five basis points (25 bps or .25%) of the daily average amount of the Maximum Credit which is unused during the immediately preceding quarter, shall be paid quarterly in arrears to Administrative Agent (on each Lender's behalf) within ten (10) days after the end of the subject quarter.

(b) If the aggregate outstanding principal balance of all Loans is less than fifty percent (50%) of the Maximum Credit but equal to or greater than twenty-five percent (25%) of the Maximum Credit, a fee equal to thirty-seven and one-half basis points (37.5 bps or .375%) of the daily average amount of the Maximum Credit which is unused during the immediately preceding quarter, shall be paid quarterly in arrears to Administrative Agent (on each Lender's behalf) within ten (10) days after the end of the subject quarter.

(c) If the aggregate outstanding principal balance of all Loans is less than twenty-five percent (25%) of the Maximum Credit, a fee equal to fifty basis points (50 bps or .50%) of the daily average amount of the Maximum Credit which is unused during the immediately preceding quarter, shall be paid quarterly in arrears to Administrative Agent (on each Lender's behalf) within ten (10) days after the end of the subject quarter.

(d) In the event that any payment due under the terms hereunder is not received by Administrative Agent within ten (10) days of the date such payment is due (inclusive of the date when due), Borrowers shall pay to Administrative Agent a late charge equal to five percent (5%) of such payment. Such fee shall be payable on the earlier of: (i) the date of demand by Administrative Agent; or (ii) the date that Borrowers make the late payment.

(e) While an Event of Default exists or after acceleration, at the option of the Required Lenders, Borrowers shall pay interest ("**Default Interest**") on the Loans at the Default Rate. All Default Interest shall be payable on demand.

(f) Borrowers agree to pay to Administrative Agent the other fees and amounts set forth in the Fee Letter in the amounts and at the times specified therein.

### 3.5 **Changes in Laws and Increased Costs of Loans**

(a) If, after the date hereof, in connection with any Change in Law, any Lender, Issuing Bank, or any banking or financial institution from whom any Lender borrows funds or obtains credit ("**Funding Bank**") determines that such Change in Law has or would have the direct or indirect effect of reducing the rate of return on any Lender's or Issuing Bank's capital as a consequence of its obligations hereunder to a level below that which such Lender or Issuing Bank could have achieved but for such Change in Law (taking into consideration such Funding Bank's or Lender's or Issuing Bank's policies with respect to capital adequacy) by an amount deemed by such Lender or Issuing Bank to be material, and the result of the foregoing is or results in an increase in the cost to any Lender or issuing Bank of funding or maintaining the Loans, the Letters of Credit or its Commitment, then Borrowers shall from time to time upon demand by Administrative Agent pay to Administrative Agent additional amounts

sufficient to indemnify such Lender or Issuing Bank, as the case may be, against such increased cost. A certificate as to the amount of such increased cost shall be submitted to the Borrower Agent by Administrative Agent or the applicable Lender and shall be conclusive, absent manifest error.

(b) If prior to the first day of any Interest Period: (i) Administrative Agent shall have determined, in good faith (which determination shall be conclusive and binding upon Borrowers) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Floating LIBOR Rate for such Interest Period; (ii) Administrative Agent has received notice from the Required Lenders that the Floating LIBOR Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to Lenders of making or maintaining Floating LIBOR Rate Loans during such Interest Period; or (iii) Dollar deposits in the principal amounts of the Floating LIBOR Rate Loans to which such Interest Period is to be applicable are not generally available in the London interbank market, Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower Agent as soon as practicable thereafter, and will also give prompt written notice to the Borrower Agent when such conditions no longer exist. If such notice is given: (A) any Floating LIBOR Rate Loans requested to be made on the first day of such Interest Period shall be made as Prime Rate Loans; (B) any Loans that were to have been converted on the first day of such Interest Period to or continued as Floating LIBOR Rate Loans shall be converted to or continued as Prime Rate Loans; and (C) each outstanding Floating LIBOR Rate Loan shall be converted, on the last day of the then-current Interest Period thereof, to Prime Rate Loans. Until such notice has been withdrawn by Administrative Agent, no further Floating LIBOR Rate Loans shall be made or continued as such, nor shall any Borrower (or the Borrower Agent on behalf of any Borrower) have the right to convert Prime Rate Loans to Floating LIBOR Rate Loans.

(c) Notwithstanding any other provision herein, if any Change in Law shall make it unlawful for Administrative Agent or any Lender to make or maintain Floating LIBOR Rate Loans as contemplated by this Agreement: (i) Administrative Agent or such Lender shall promptly give written notice of such circumstances to the Borrower Agent (which notice shall be withdrawn whenever such circumstances no longer exist); (ii) the commitment of such Lender hereunder to make Floating LIBOR Rate Loans, continue Floating LIBOR Rate Loans as such and convert Prime Rate Loans to Floating LIBOR Rate Loans shall forthwith be suspended and, until such time as it shall no longer be unlawful for such Lender to make or maintain Floating LIBOR Rate Loans, such Lender shall then have a commitment only to make a Prime Rate Loan when a Floating LIBOR Rate Loan is requested; and (iii) such Lender's Loans then outstanding as Floating LIBOR Rate Loans, if any, shall be converted automatically to Prime Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Floating LIBOR Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrowers shall pay to such Lender such amounts, if any, as may be required pursuant to **Section 3.5(e)** below.

(d) Notwithstanding anything to the contrary contained herein: (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, issued in connection therewith or in implementation thereof; and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or by any United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a change in a law or regulation, regardless of the date enacted, adopted, issued or implemented.

(e) Borrowers shall indemnify Administrative Agent and each Lender and to hold Administrative Agent and each Lender harmless from any loss or expense which Administrative Agent or such Lender may sustain or incur as a consequence of: (i) default by any Borrower in making a borrowing of, conversion into or extension of Floating LIBOR Rate Loans after such Borrower (or the Borrower Agent

on behalf of such Borrower) has given a notice requesting the same in accordance with the provisions of this Agreement; (ii) default by any Borrower in making any prepayment of a Floating LIBOR Rate Loan after such Borrower has given a notice thereof in accordance with the provisions of this Agreement; and (iii) the making of a prepayment of Floating LIBOR Rate Loans on a day which is not the last day of an Interest Period with respect thereto. In connection with any Floating LIBOR Rate Loans, such indemnification may include an amount equal to the excess, if any, of: (A) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or extended, for the period from the date of such prepayment or of such failure to borrow, convert or extend to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or extend, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Floating LIBOR Rate Loans provided for herein; over (B) the amount of interest (as determined by such Administrative Agent or such Lender) which would have accrued to Administrative Agent or such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Floating LIBOR market. This covenant shall survive the termination or non-renewal of this Agreement and the payment of the Obligations. This **Section 3.5(e)** shall not apply with respect to Taxes other than any Taxes that represent claims, costs, losses, damages or expenses arising from any non-Tax claim. A certificate as to the amount of such losses and expenses shall be submitted to the Borrower Agent by Administrative Agent or the applicable Lender and shall be conclusive, absent manifest error.

(f) If any Change in Law shall subject Administrative Agent, any Lender, Funding Bank or Issuing Bank to any Taxes (other than: (i) Indemnified Taxes; (ii) Excluded Taxes; and (iii) Connection Income Taxes) on its Loans, Letters of Credit, Commitment or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, and the result of any of the foregoing shall be to increase the cost to Administrative Agent, such Lender or such Issuing Bank, of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to Administrative Agent, such Lender or such Issuing Bank, of participating in, issuing or maintaining any Letters of Credit (or of maintaining its obligation to participate in or to issue any Letters of Credit), or to reduce the amount of any sum received or receivable by Administrative Agent, such Lender or such Issuing Bank hereunder (whether of principal, interest or any other amount) then Borrowers shall from time to time upon written demand by Administrative Agent pay to Administrative Agent additional amounts sufficient to indemnify Administrative Agent, such Lender or such Issuing Bank, as the case may be, against such increased costs or reduction suffered. A certificate setting forth the amounts necessary to compensate Administrative Agent, the applicable Lender or the applicable Issuing Bank for such increased costs or reduction suffered shall be submitted to the Borrower Agent by Administrative Agent, or the applicable Lender or Issuing Bank, and shall be conclusive, absent manifest error.

3.6 **Mitigation.** If Administrative Agent, any Lender, any Funding Bank or any Issuing Bank gives a notice under **Section 3.5(c)** or requests compensation under **Sections 3.5(a)** or **3.5(f)**, or if any Borrower is required to pay additional amounts or indemnity payments with respect to Administrative Agent, any Lender, any Funding Bank or any Issuing Bank under **Section 6.12**, then Administrative Agent, such Lender, such Funding Bank or such Issuing Bank (as applicable) shall (at the request of the applicable Borrower) use reasonable efforts to designate a different Lending Office or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of Administrative Agent, such Lender, such Funding Bank or such Issuing Bank (as applicable), such designation or assignment: (a) would eliminate the need for such notice or reduce amounts payable or to be withheld in the future, as applicable; and (b) in each case, would not subject, such Lender, such Funding Bank or such Issuing Bank (as applicable) to any unreimbursed cost or expense and would not otherwise be materially disadvantageous to Administrative Agent, such Lender, such Funding Bank or such Issuing Bank (as applicable). The Borrowers shall pay all reasonable costs and expenses incurred by

Administrative Agent, any Lender, any Funding Bank or any Issuing Bank that has issued a Commitment to such Borrower in connection with any such designation or assignment.

#### **SECTION 4. CONDITIONS PRECEDENT**

4.1 **Conditions Precedent to Initial Loans and Letters of Credit.** Each of the following is a condition precedent to Administrative Agent and Lenders making the initial Loans and providing the initial Letters of Credit hereunder:

(a) all requisite corporate and limited liability company action and proceedings (as the case may be) in connection with this Agreement and the other Loan Documents shall be satisfactory in form and substance to Administrative Agent, and Administrative Agent shall have received all information and copies of all documents, including records of requisite corporate or company action and proceedings which Administrative Agent may have requested in connection therewith, such documents where requested by Administrative Agent or its counsel to be certified by appropriate officers, managers, members or any Governmental Authority (and including a copy of the certificate of incorporation or articles of organization as applicable, of each Borrower certified by the Secretary of State (or equivalent Governmental Authority) which shall set forth the same complete corporate or limited liability company name of such Borrower as is set forth herein and such document as shall set forth the organizational identification number of each Borrower, if one is issued in its jurisdiction of incorporation);

(b) Administrative Agent shall have determined that no material adverse change shall have occurred in the assets or business of Borrowers since the date of Administrative Agent's latest examination and no change or event shall have occurred which would impair in any material respect the ability of the Borrowers (taken as a whole) or the Obligors to perform their obligations hereunder or under any of the other Loan Documents to which they are parties or of Administrative Agent or any Lender to enforce the Obligations or realize upon the Collateral;

(c) Administrative Agent shall have received, in form and substance satisfactory to Administrative Agent, all consents, waivers, acknowledgments and other agreements from third persons which Administrative Agent may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Loan Documents;

(d) Administrative Agent shall have received evidence, in form and substance satisfactory to Administrative Agent, that Administrative Agent has or will have a valid perfected first priority security interest in all of the Collateral, subject only to liens permitted under this Agreement;

(e) Administrative Agent shall have received and reviewed lien and judgment search results for the jurisdiction of incorporation and organization of each Borrower (as the case may be), the jurisdiction of the chief executive office of each Borrower and all jurisdictions in which assets of Borrowers are located, which search results shall be in form and substance satisfactory to Administrative Agent;

(f) Administrative Agent shall have received original "Membership Interests Certificates" representing the "Required Value" (as defined in and required under **Section 5.1**);

(g) Administrative Agent shall have received, in form and substance reasonably satisfactory to Administrative Agent, such opinion letters of counsel to Borrowers with respect to the Loan Documents and such other matters as Administrative Agent may request; and.

(h) the other Loan Documents and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Administrative Agent, in form and substance satisfactory to Administrative Agent.

4.2 **Conditions Precedent to All Loans and Letters of Credit.** Each of the following is an additional condition precedent to the Loans and/or providing Letters of Credit to Borrowers, including the initial Loans and Letters of Credit and any future Loans and Letters of Credit:

(a) all representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit and after giving effect thereto, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate in all material respects on and as of such earlier date);

(b) no law, regulation, order, judgment or decree of any Governmental Authority shall exist, and no action, suit, investigation, litigation or proceeding shall be pending or threatened in any court or before any arbitrator or Governmental Authority, which: (i) purports to enjoin, prohibit, restrain or otherwise affect: (A) the making of the Loans or providing the Letters of Credit; or (B) the consummation of the transactions contemplated pursuant to the terms hereof or the other Loan Documents or (ii) has or has a reasonable likelihood of having a Material Adverse Effect; and

(c) no Default or Event of Default shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing each such Letter of Credit and after giving effect thereto.

## **SECTION 5. GRANT AND PERFECTION OF SECURITY INTEREST**

5.1 **Grant of Security Interest.** To secure payment and performance of all Obligations, Parent hereby grants to Administrative Agent, for itself and the benefit of Secured Parties, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Administrative Agent, for itself and the benefit of Secured Parties, as security, a percentage of Parent's membership interests in Woodbridge Holdings (the "**Membership Interests**"), which Membership Interest shall be certificated in the form as set forth on **Exhibit D** attached hereto (the "**Membership Interests Certificates**"), having a value of not less than \$100,000,000.00 (the "**Required Value**"), as such value shall be tested and verified by Administrative Agent on a semi-annual basis throughout the term of the Loan (together with all other collateral security for the Obligations at any time granted to or held or acquired by Administrative Agent or any Lender, collectively, the "**Collateral**"). In the event that following Administrative Agent's semi-annual testing of the value of the Membership Interests, Administrative Agent shall have reasonably determined that the value of the Membership Interests shall be less than the Required Value, then Parent shall, no later than ten (10) days from receipt of written notice from Administrative Agent, deliver to Administrative Agent Membership Interests Certificates in such an amount as shall have been reasonably determined by Administrative Agent to cause the value of the Membership Interests to not be less than the Required Value.

### **5.2 Perfection of Security Interests.**

(a) In accordance with the terms and conditions of the Security Agreement, Parent has delivered (and shall deliver from time to time as may be required based upon Administrative Agent's semi-annual testing of the value of the Membership Interests as set forth in **Section 5.1** above) the

Membership Interests representing the Required Value. Parent acknowledges and agrees that the Administrative Agent shall have possession of the Membership Interests Certificates subject to and in accordance with the terms and conditions of the Security Agreement. As such, Parent acknowledges and agrees that Administrative Agent shall have perfected its security interest in the Collateral (i.e., the Membership Interests) by possession.

(b) Parent irrevocably and unconditionally authorizes Administrative Agent (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Administrative Agent or its designee as the secured party and Parent as debtor, as Administrative Agent may require, and including any other information with respect to Parent or otherwise required by part 5 of Article 9 of the UCC or required pursuant to any other legislation of such jurisdiction as Administrative Agent may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on, prior to or after the date hereof. Parent hereby ratifies and approves all financing statements (or other registrations or filings) naming Administrative Agent or its designee as secured party and Parent as debtor with respect to the Collateral (and any amendments with respect to such financing statements) filed by or on behalf of Administrative Agent prior to the date hereof and ratifies and confirms the authorization of Administrative Agent to file such financing statements (and amendments, if any). Parent hereby authorizes Administrative Agent to adopt any symbol required for authenticating any electronic filing. Until such time as the Commitments have expired or terminated and all amounts due and payable the Loans or under any Loan Document have been paid in full, in no event shall Parent at any time file, or permit or cause to be filed, any correction statement or termination statement with respect to any financing statement (or other registrations or filings) (or amendment or continuation with respect thereto) naming Administrative Agent or its designee as secured party and Parent as debtor.

(c) Parent and Woodbridge Holdings shall take any other actions reasonably requested by Administrative Agent from time to time to cause the attachment, perfection and first priority (subject to liens permitted under **Section 8.7** hereof to be senior thereto) of, and the ability of Administrative Agent to enforce, the security interest of Administrative Agent in any and all of the Collateral, including, without limitation: (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC or other applicable law, to the extent, if any, that Parent and Woodbridge Holdings signature thereon is required therefor and executing and delivering any additional pledges, membership interest transfer powers or other such documents required to perfect or continue to perfect Administrative Agent's and Lenders' security interest in the Collateral; (ii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Administrative Agent to enforce, the security interest of Administrative Agent in such Collateral; and (iii) obtaining the consents and approvals of any Governmental Authority or third party, including, without limitation, any consent of any licensor, lessor or other person obligated on the Collateral, and taking all actions required by any earlier versions of the UCC or by other law, as applicable in any relevant jurisdiction.

## **SECTION 6. COLLECTION AND ADMINISTRATION**

6.1 **Borrowers' Loan Accounts.** Administrative Agent shall maintain one or more loan account(s) on its books in which shall be recorded: (a) all Loans and other Obligations and the Collateral; (b) all payments made by or on behalf of any Borrower; and (c) all other appropriate debits and credits as provided in this Agreement, including fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Administrative Agent's customary practices as in effect from time to time.

6.2 **Statements.** Administrative Agent shall render to Borrower Agent each month a statement setting forth the balance in the Borrowers' loan account(s) maintained by Administrative Agent for Borrowers pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Administrative Agent but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrowers and conclusively binding upon Borrowers as an account stated except to the extent that Administrative Agent receives a written notice from Borrower Agent of any specific exceptions of Borrower Agent thereto within thirty (30) days after the date such statement has been received by Parent. Until Administrative Agent shall have rendered to Borrower Agent a written statement as provided above, the balance in any Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Administrative Agent and Lenders by Borrowers.

6.3 **Payments.**

(a) All Obligations shall be payable to the Agent Payment Account or such other place as Administrative Agent may designate from time to time. Subject to the other terms and conditions contained herein, Administrative Agent shall apply payments received or collected from any Borrower or for the account of any Borrower (including, the monetary proceeds of collections or of realization upon any Collateral) as follows: first, to pay any fees, indemnities or expense reimbursements then due to Administrative Agent, Lenders and Issuing Bank from any Borrower; second, to pay interest due in respect of any Loans (and including any Special Agent Advances) or Letters of Credit; third, to pay or prepay principal in respect of Special Agent Advances; fourth, to pay principal due in respect of the Loans and to pay Obligations then due arising under or pursuant to any Hedge Agreements of a Borrower with Administrative Agent or a Bank Product Provider (up to the amount of any then effective reserve established in respect of such Obligations), on a pro rata basis; fifth, to pay or prepay any other Obligations whether or not then due, in such order and manner as Administrative Agent determines and at any time an Event of Default exists or has occurred and is continuing, to provide cash collateral for any Letter of Credit or other contingent Obligations (but not including for this purpose any Obligations arising under or pursuant to any Bank Products); and sixth, to pay or prepay any Obligations arising under or pursuant to any Bank Products (other than to the extent provided for above) on a pro rata basis. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by Borrower Agent, or unless a Default or an Event of Default shall exist or have occurred and be continuing, Administrative Agent shall not apply any payments which it receives to any Floating LIBOR Rate Loans, except: (A) on the expiration date of the Interest Period applicable to any such Floating LIBOR Rate Loans; or (B) in the event that there are no outstanding Prime Rate Loans.

(b) At Administrative Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Loan Documents may be charged directly to the loan account(s) of any Borrower maintained by Administrative Agent.

(c) If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Administrative Agent or any Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Administrative Agent or such Lender. Borrowers shall be liable to pay to Administrative Agent, and do hereby indemnify and hold Administrative Agent and Lenders harmless for the amount of any payments or proceeds surrendered or returned. This **Section 6.3(c)** shall remain effective notwithstanding any contrary action that may be

taken by Administrative Agent or any Lender in reliance upon such payment or proceeds. This **Section 6.3** shall survive the payment of the Obligations and the termination of this Agreement.

6.4 **Authorization to Make Loans.** Administrative Agent and Lenders are authorized to make the Loans and provide any Letters of Credit based upon telephonic or other instructions received from an Authorized Representative or, at the discretion of Administrative Agent, if such Loans are necessary to satisfy any Obligations. All requests for Loans or Letters of Credit hereunder shall specify the date on which the requested advance is to be made or Letter of Credit issued (which day shall be a Business Day) and the amount of the requested Loan or Letter of Credit. Requests received after 11:00 a.m., EST on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Loans and Letters of Credit under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, any Borrower when deposited to the credit of any Borrower or otherwise disbursed or issued in accordance with the instructions of any Borrower or in accordance with the terms and conditions of this Agreement.

6.5 **Use of Proceeds.** Borrowers shall use the initial proceeds of the Loans provided by Administrative Agent to Borrowers hereunder only for: (a) the purposes set for in **Section 2** above; and (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents. All other Loans made to or for the benefit of any Borrower pursuant to the provisions hereof shall be used by such Borrower only for the purposes set for in **Section 2** above. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security (other than open-market repurchases of the common stock of Parent in cancellation) or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the loans to be considered a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended.

6.6 **Appointment of Borrower Agent as Agent for Requesting Loans and Receipts of Loans and Statements.**

(a) Each Borrower hereby irrevocably appoints and constitutes Borrower Agent as its agent to request and receive Loans pursuant to this Agreement and the other Loan Documents from Administrative Agent or any Lender in the name or on behalf of such Borrower. Administrative Agent and Lenders may disburse the Loans to such bank account of Borrower Agent or a Borrower or otherwise make such Loans to a Borrower and provide such Letters of Credit to a Borrower as Borrower Agent may designate or direct, without notice to any other Borrower or Obligor.

(b) Borrower Agent hereby accepts the appointment by Borrowers to act as the agent of Borrowers pursuant to this **Section 6.6**.

(c) Each Borrower hereby irrevocably appoints and constitutes Borrower Agent as its agent to receive statements on account and all other notices from Administrative Agent and Lenders with respect to the Obligations or otherwise under or in connection with this Agreement and the other Loan Documents.

(d) Any notice, election, representation, warranty, agreement or undertaking by or on behalf of any other Borrower by Borrower Agent shall be deemed for all purposes to have been made by such Borrower, as the case may be, and shall be binding upon and enforceable against such Borrower to the same extent as if made directly by such Borrower.



(e) No purported termination of the appointment of Borrower Agent as agent as aforesaid shall be effective, except after ten (10) days' prior written notice to Administrative Agent.

6.7 **Pro Rata Treatment.** Except to the extent otherwise provided in this Agreement: (a) the making of Loans shall be made by each Lender based on its Pro Rata Share; and (b) each payment on account of any Obligations to or for the account of one or more of the Lenders in respect of any Obligations due on a particular day shall be allocated among the Lenders entitled to such payments based on their respective Pro Rata Shares and shall be distributed accordingly.

6.8 **Sharing of Payments, Etc.**

(a) Each Borrower agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim Administrative Agent or any Lender may otherwise have, each Lender shall be entitled, at its option (but subject, as among Administrative Agent and Lenders, to the provisions of **Section 11.3(b)** hereof), to offset balances held by it for the account of such Borrower at any of its offices, in United States Dollars or in any other currency, against any principal of or interest on any Loans owed to such Lender or any other amount payable to such Lender hereunder, that is not paid when due (regardless of whether such balances are then due to such Borrower), in which case it shall promptly notify Borrower Agent and Administrative Agent thereof provided, that, such Lender's failure to give such notice shall not affect the validity thereof.

(b) If any Lender (including Administrative Agent) shall obtain from any Borrower payment of any principal of or interest on any Loan owing to it or payment of any other amount under this Agreement or any of the other Loan Documents through the exercise of any right of setoff, banker's lien or counterclaim or similar right or otherwise (other than from Administrative Agent as provided herein), and, as a result of such payment, such Lender shall have received more than its Pro Rata Share of the principal of the Loans or more than its share of such other amounts then due hereunder or thereunder by any Borrower to such Lender than the percentage thereof received by any other Lender, it shall promptly pay to Administrative Agent, for the benefit of Lenders, the amount of such excess and simultaneously purchase from such other Lenders a participation in the Loans or such other amounts, respectively, owing to such other Lenders (or such interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all Lenders shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) in accordance with their respective Pro Rata Shares or as otherwise agreed by Lenders. To such end, all Lenders shall make appropriate adjustments among themselves (by the resale of participation sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) Each Borrower agrees that any Lender purchasing a participation (or direct interest) as provided in this Section may exercise, in a manner consistent with this Section, all rights of setoff, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any right of setoff, banker's lien, counterclaims or similar rights or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of any Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section applies, such Lender shall, to the extent practicable, assign such rights to Administrative Agent for the benefit of Lenders and, in any event, exercise its rights

in respect of such secured claim in a manner consistent with the rights of Lenders entitled under this Section to share in the benefits of any recovery on such secured claim.

#### 6.9 **Settlement Procedures.**

(a) In order to administer the Credit Facility in an efficient manner and to minimize the transfer of funds between Administrative Agent and Lenders, Administrative Agent may, at its option, subject to the terms of this Section, make available, on behalf of Lenders, the full amount of the Loans requested or charged to any Borrower's loan account(s) or otherwise to be advanced by Lenders pursuant to the terms hereof, without requirement of prior notice to Lenders of the proposed Loans.

(b) With respect to all Loans made by Administrative Agent on behalf of Lenders as provided in this Section, the amount of each Lender's Pro Rata Share of the outstanding Loans shall be computed weekly and shall be adjusted upward or downward on the basis of the amount of the outstanding Loans as of 5:00 p.m. EST on the Business Day immediately preceding the date of each settlement computation; provided, that, Administrative Agent retains the absolute right at any time or from time to time to make the above-described adjustments at intervals more frequent than weekly, but in no event more than twice in any week. Administrative Agent shall deliver to each of the Lenders after the end of each week, or more frequently as Administrative Agent shall determine, a summary statement of the amount of outstanding Loans for such period (such week or lesser period or periods being hereinafter referred to as a "**Settlement Period**"). If the summary statement is sent by Administrative Agent and received by a Lender prior to 12:00 p.m. EST, then such Lender shall make the settlement transfer described in this Section by no later than 3:00 p.m. EST on the same Business Day and if received by a Lender after 12:00 p.m. EST, then such Lender shall make the settlement transfer by not later than 4:00 p.m. EST on the next Business Day following the date of receipt. If, as of the end of any Settlement Period, the amount of a Lender's Pro Rata Share of the outstanding Loans is more than such Lender's Pro Rata Share of the outstanding Loans as of the end of the previous Settlement Period, then such Lender shall forthwith (but in no event later than the time set forth in the preceding sentence) transfer to Administrative Agent by wire transfer in immediately available funds the amount of the increase. Alternatively, if the amount of a Lender's Pro Rata Share of the outstanding Loans in any Settlement Period is less than the amount of such Lender's Pro Rata Share of the outstanding Loans for the previous Settlement Period, Administrative Agent shall forthwith transfer to such Lender by wire transfer in immediately available funds the amount of the decrease. The obligation of each of the Lenders to transfer such funds and effect such settlement shall be irrevocable and unconditional and without recourse to or warranty by Administrative Agent. Administrative Agent and each Lender agrees to mark its books and records at the end of each Settlement Period to show at all times the dollar amount of its Pro Rata Share of the outstanding Loans and Letters of Credit. Each Lender shall only be entitled to receive interest on its Pro Rata Share of the Loans to the extent such Loans have been funded by such Lender. Because the Administrative Agent on behalf of Lenders may be advancing and/or may be repaid Loans prior to the time when Lenders will actually advance and or be repaid such Loans, interest with respect to Loans shall be allocated by Administrative Agent in accordance with the amount of Loans actually advanced by and repaid each Lender and the Administrative Agent and shall accrue from and including the date such Loans are so advanced to but excluding the date such Loans are either repaid by Borrowers or actually settled with the applicable Lender as described in this Section.

(c) To the extent that Administrative Agent has made any such amounts available and the settlement described above shall not yet have occurred, upon repayment of any Loans by a Borrower, Administrative Agent may apply such amounts repaid directly to any amounts made available by Administrative Agent pursuant to this Section. In lieu of weekly or more frequent settlements, Administrative Agent may, at its option, at any time require each Lender to provide Administrative Agent

with immediately available funds representing its Pro Rata Share of each Loan, prior to Administrative Agent's disbursement of such Loan to Borrower. In such event, all Loans under this Agreement shall be made by the Lenders simultaneously and proportionately to their Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in the other Lender's obligation to make a Loan requested hereunder nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in the other Lender's obligation to make a Loan hereunder.

(d) Upon the making of any Loan by Administrative Agent as provided herein, without further action by any party hereto, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from Administrative Agent, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Pro Rata Share in such Loan. To the extent that there is no settlement in accordance with the terms hereof, Administrative Agent may at any time require the Lenders to fund their participations. From and after the date, if any, on which any Lender has funded its participation in any such Loan, Administrative Agent shall promptly distribute to such Lender, such Lender's Pro Rata Share of all payments of principal and interest received by Administrative Agent in respect of such Loan.

(e) If Administrative Agent is not funding a particular Loan to a Borrower (or Borrower Agent for the benefit of such Borrower) pursuant to this Section on any day, Administrative Agent may assume that each Lender will make available to Administrative Agent such Lender's Pro Rata Share of the Loan requested or otherwise made on such day and Administrative Agent may, in its discretion, but shall not be obligated to, cause a corresponding amount to be made available to or for the benefit of such Borrower on such day. If Administrative Agent makes such corresponding amount available to a Borrower and such corresponding amount is not in fact made available to Administrative Agent by such Lender, Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Administrative Agent at the Federal Funds Rate for each day during such period (as published by the Federal Reserve Bank of New York or at Administrative Agent's option based on the arithmetic mean determined by Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. EST on that day by each of the three (3) leading brokers of Federal funds transactions in New York City selected by Administrative Agent) and if such amounts are not paid within three (3) days of Administrative Agent's demand, at the highest Interest Rate provided for in **Section 3.3** hereof applicable to Prime Rate Loans. During the period in which such Lender has not paid such corresponding amount to Administrative Agent, notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, the amount so advanced by Administrative Agent to or for the benefit of any Borrower shall, for all purposes hereof, be a Loan made by Administrative Agent for its own account. Upon any such failure by a Lender to pay Administrative Agent, Administrative Agent shall promptly thereafter notify Borrower Agent of such failure and Borrowers shall pay such corresponding amount to Administrative Agent for its own account within five (5) Business Days of Borrower Agent's receipt of such notice. Any Lender that has failed to fund any portion of the Loans, participations in Letters of Credit required to be funded by it hereunder within one (1) Business Day of the date required to be funded by it hereunder, or has otherwise failed to pay over to Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one (1) Business Day of the date when due, shall be a "**Defaulting Lender**".

(f) Administrative Agent shall not be Obligated to transfer to a Defaulting Lender any payments received by Administrative Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). For purposes of voting or consenting to matters with respect to this Agreement and the other Loan Documents and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender"

and such Lender's Commitment shall be deemed to be zero (0). All amounts otherwise payable in respect of the Pro Rata Share of principal to a Defaulting Lender shall instead be paid to the other Lenders based on their Pro Rata Shares calculated after giving effect to the reduction of the Defaulting Lender's Commitment to zero (0) as provided herein or at Administrative Agent's option may instead be paid to and retained by Administrative Agent. To the extent that Administrative Agent elects to receive and retain such amounts, Administrative Agent may hold them and, in its reasonable discretion, relend such amounts to a Borrower. To the extent that Administrative Agent exercises its option to relend such amounts, such amounts shall be treated as Revolving Loans for the account of Administrative Agent in addition to the Revolving Loans that are made by the Lenders other than Defaulting Leaders based on their Pro Rata Shares as calculated after giving effect to the reduction of the Defaulting Lender's Commitment to zero (0) as provided herein but shall be repaid in the same order of priority as Special Agent Advances for purposes of **Section 6.3** hereof, except as Administrative Agent may otherwise elect. The rights of a Defaulting Lender shall be limited as provided herein until such time as the Defaulting Lender has made all payments to Administrative Agent that were the basis for it to become a Defaulting Lender. Upon the cure by Defaulting Lender of the event that is the basis for it to be a Defaulting Lender by making such payment or payments, such Lender shall cease to be a Defaulting Lender and shall be entitled to payment of interest to the extent previously received and retained by Administrative Agent from or for the account of Borrowers on the funds constituting Loans made by such Lender prior to the date of it being a Defaulting Lender (and not previously paid to such Lender) and shall otherwise, after such cure, make Loans and settle in respect of the Loans and other Obligations in accordance with the terms hereof. The existence of a Defaulting Lender and the operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by any Borrower or Obligor of their duties and obligations hereunder.

(g) Nothing in this Section or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Administrative Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that any Borrower may have against any Lender as a result of any default by any Lender hereunder in fulfilling its Commitment.

6.10 **Obligations Several; Independent Nature of Lenders' Rights** The obligation of each Lender hereunder is several; and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement or any of the other Loan Documents and no action taken by the Lenders pursuant hereto or thereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and subject to **Section 11.3** hereof, each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

6.11 **Bank Products.** Borrowers, may (but no such Person is required to) request that the Bank Product Providers provide or arrange for such Person to obtain Bank Products from Bank Product Providers, and each Bank Product Provider may, in its sole discretion, provide or arrange for such Person to obtain the requested Bank Products. Borrowers shall indemnify and hold Administrative Agent, each Lender and their respective Affiliates harmless from any all obligations now are hereafter owing to any other Person by any Bank Product Provider in connection with any Bank Products obtained by Borrowers other than for gross negligence or willful misconduct on the part of any such indemnified Person. This **Section 6.11** shall survive the payment of the Obligations and the termination of this Agreement. Borrowers acknowledge and agree that the obtaining of Bank Products from Bank Product Providers: (a) is in the sole discretion of such Bank Product Provider; and (b) is subject to the rules and regulations of

such Bank Product Provider. This **Section 6.11** shall not apply to Indemnified Taxes, Other Taxes or Excluded Taxes.

6.12 **Taxes.**

(a) Any and all payments by or on behalf of any Borrower hereunder and under any Loan Document shall be made free and clear of and without deduction for any and all Taxes, except as required by applicable law. In addition, Borrowers agree to pay to the relevant Governmental Authority in accordance with applicable law any Other Taxes.

(b) If any Borrower shall be required by law to deduct or withhold in respect of any Indemnified Taxes or Other Taxes from or in respect of any sum payable hereunder to Administrative Agent, any Lender or Issuing Bank, then:

(i) the sum payable shall be increased, as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this **Section 6.12(b)**) such Lender (or Administrative Agent on behalf of such Lender) or Issuing Bank receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) such Borrower shall make such deductions and withholdings; and

(iii) such Borrower shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law or, at the option of Administrative Agent, timely reimburse it for the payment of any Other Taxes.

(c) Within thirty (30) days after the date of any payment by any Borrower of Indemnified Taxes or Other Taxes, upon Administrative Agent's request, such Borrower shall furnish to Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment reasonably satisfactory to Administrative Agent.

(d) Each Lender and each Issuing Bank shall deliver to Administrative Agent and Borrower Agent, before receiving such Lender's or Issuing Bank's first payment under this Agreement, either: (i) an original executed IRS Form W-9; or (ii) any other IRS form (and in the case of a Lender or Issuing Bank claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, a certificate substantially in the form applicable to such Lender or such Issuing Bank provided as an exhibit in the Loan Syndication and Trading Association Model Credit Agreement Provisions dated August 10, 2011 (or any subsequent version published in final form by the LSTA)) certifying that such Lender or Issuing Bank is entitled to a complete exemption from United States federal withholding Tax and United States federal backup withholding Tax, as applicable, with respect to payments made hereunder and under any Loan Document. Each Lender and each Issuing Bank shall provide new forms (or successor forms) to Administrative Agent and Borrower Agent upon the expiration or obsolescence of any previously delivered forms and shall promptly notify Administrative Agent and each Borrower of any change in circumstances which would modify or render invalid any claimed exemption (provided, however, that notifying Administrative Agent and each Borrower of a change in circumstances shall not affect whether any Tax constitutes an Excluded Tax).

(e) If a Lender or Issuing Bank is entitled to a reduction in the applicable withholding Tax, Administrative Agent or the Borrowers may withhold from any interest payment to such Lender or such Issuing Bank an amount equivalent to the applicable withholding Tax after taking into

account such reduction. If the forms or other documentation required by **Section 6.12(d)** are not delivered to Administrative Agent and the Borrowers, then Administrative Agent or any Borrower may withhold from any interest payment to such Lender or such Issuing Bank not providing such forms or other documentation an amount equivalent to the applicable withholding Tax.

(f) Borrowers will indemnify Administrative Agent, each Lender and each Issuing Bank for the full amount of Indemnified Taxes and Other Taxes paid by Administrative Agent, such Lender or such Issuing Bank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes and Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by any Lender or any Issuing Bank (with a copy to Administrative Agent) or by Administrative Agent on its own behalf or on behalf of any Lender *or* any Issuing Bank shall be conclusive absent manifest error.

(g) If Administrative Agent, any Lender or any Issuing Bank receives a refund of any Taxes as to which it has been indemnified by Borrowers or with respect to which Borrowers have paid additional amounts pursuant to this **Section 6.12**, so long as no Default or Event of Default has occurred and is continuing, it shall pay over any refund it has received to Borrowers (but only to the extent of payments made, or additional amounts paid, by Borrowers under this **Section 6.12** with respect to Taxes giving rise to such a refund) net of all out-of-pocket expenses of Administrative Agent, such Lender or such Issuing Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such a refund); provided, that, Borrowers, upon the request of Administrative Agent, such Lender or such Issuing Bank, agree to repay the amount paid over to Borrowers (plus any penalties, interest or other charges, imposed by the relevant Governmental Authority, other than such penalties, interest or other charges imposed as a result of the willful misconduct or gross negligence of Administrative Agent, such Lender or such Issuing Bank hereunder) to Administrative Agent, such Lender or such Issuing Bank in the event Administrative Agent, such Lender or such Issuing Bank is required to repay such refund to such Governmental Authority; provided, further, that in no event shall Administrative Agent, any Lender or any Issuing Bank be required to repay any such amounts if such payment would place Administrative Agent, such Lender or such Issuing Bank in a less favorable net after-Tax position than if such indemnification payments or additional amounts giving rise to such refund had never been paid. Notwithstanding anything in this Agreement to the contrary, this **Section 6.12(g)** shall not be construed to require Administrative Agent, any Lender or any Issuing Bank to make available its tax returns (or any other information which it reasonably deems confidential) to any Borrower or any other Person.

(h) If a payment made to Administrative Agent, any Lender or any Issuing Bank hereunder or under any other Loan Document would be subject to United States federal withholding tax imposed pursuant to FATCA if Administrative Agent, such Lender or such Issuing Bank fails to comply with applicable reporting and other requirements of FATCA (including those contained in Section 1471(h) or 1472(1) of the Code, if applicable), Administrative Agent, such Lender or such Issuing Bank shall use commercially reasonable efforts to deliver to the Borrowers and Administrative Agent at the time or times prescribed by applicable law or as reasonably requested by the Borrowers or Administrative Agent, accurate, complete and signed certification prescribed by applicable law and any other documentation reasonably requested by Administrative Agent sufficient for the Borrowers and Administrative Agent to comply with their obligations under FATCA and to determine that Administrative Agent, such Lender or such Issuing Bank has complied with such applicable reporting and other requirements of FATCA. Solely for purposes of this **Section 6.12(h)**, the term "FATCA" shall include any amended or successor provisions.

(i) Each party's obligations under this **Section 6.12** shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or Issuing Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all Obligations under any Loan Document.

## **SECTION 7. REPRESENTATIONS AND WARRANTIES**

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue Letters of Credit, each Borrower hereby represents and warrants to Administrative Agent and Lenders the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letters of Credit to Borrowers:

7.1 **Existence, Power and Authority.** Each Borrower is a corporation or limited liability company duly organized and in good standing under the laws of its state or other jurisdiction of organization and is duly qualified as a foreign corporation or limited liability company, as applicable, and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The execution, delivery and performance of this Agreement, the other Loan Documents and the transactions contemplated hereunder and thereunder: (a) are all within each Borrower's corporate or limited liability company powers; (b) have been duly authorized; (c) are not in contravention of any applicable law or the terms of any Borrower's certificate of incorporation, by laws, articles of organization, operating agreement or other organizational documentation, or any indenture, agreement or undertaking to which any Borrower is a party or by which any Borrower or its property are bound; and (d) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of any Borrower. This Agreement and the other Loan Documents to which any Borrower is a party constitute legal, valid and binding obligations of such Borrower enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

### **7.2 Name: State of Organization; Chief Executive Office**

(a) As of the date hereof and as of the date of each Compliance Certificate, the exact legal name of each Borrower is as set forth on the signature page of this Agreement. Except as set forth on **Schedule 7.2**, each Borrower has, during the five (5) years immediately preceding the date hereof been known by or used any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its property or assets outside of the ordinary course of business.

(b) As of the date hereof and as of the date of each Compliance Certificate, each Borrower is an organization of the type and organized in the jurisdiction set forth on **Schedule 7.2**. **Schedule 7.2** sets forth the organizational identification number of each Borrower or states that such Borrower has none and sets forth the federal employer identification number of each Borrower.

(c) As of the date hereof and as of the date of each Compliance Certificate, the chief executive office and mailing address of each Borrower are located only at the address identified as such on **Schedule 7.2** and its only other places of business are the addresses set forth on **Schedule 7.2**.

subject to the rights of any Borrower to establish new locations after the date hereof subject to and in accordance with **Section 8.1(c)** below.

7.3 **Financial Statements; No Material Adverse Change.** All consolidated financial statements of the Parent which have been or may hereafter be delivered by the Parent to Administrative Agent and Lenders have been prepared in accordance with GAAP (except as to any interim financial statements, to the extent such statements are subject to normal year-end adjustments and do not include any notes) and fairly present in all material respects the consolidated financial condition and the consolidated results of operation of the Parent as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by the Parent to Administrative Agent prior to the date of this Agreement, there has been no act, condition or event which has had or is reasonably likely to have a Material Adverse Effect since the date of the most recent audited consolidated financial statements of the Parent furnished by the Parent to Administrative Agent prior to the date of this Agreement.

7.4 **Priority of Liens; Collateral.** The Collateral will be certificated prior to the Closing and upon consummation of the pledge and assignment of the Collateral to Administrative Agent pursuant to this Agreement and the Security Agreement, and delivery to Administrative Agent of the Membership Interest Certificates and one or more Membership Interest transfer powers executed in blank, to be held by Administrative Agent pursuant to the terms of this Agreement and the Security Agreement, such pledge and assignment will create a valid lien on and a perfected, first priority security interest in the Collateral securing the payment of the Notes, without any filing, registration or other act by Administrative Agent. In connection with the foregoing, Parent and Woodbridge Holdings hereby represent and warrant that:

(a) Parent is the sole legal and beneficial owner of good and indefeasible title to the Membership Interests free and clear of all liens and encumbrances except for the Security Interests created by this Agreement and the Security Agreement and the encumbrances permitted by **Section 8.7** and has all necessary authority to pledge, sell, transfer and assign the Collateral and such assignment and transfer is not contrary to or in conflict with the Woodbridge Holdings Operating Agreement or any other agreement, mortgage, indenture or contract binding on Parent or Woodbridge Holdings;(b) Subject to the terms of the Woodbridge Holdings Operating Agreement, there are no restrictions on assignment, transfer, pledge, hypothecation or mortgage of the Membership Interests;

(c) No financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of Administrative Agent relating to this Agreement; and

(d) The Collateral is a "security" as defined in Article 8 of the UCC as in effect from time to time;

7.5 **Tax Returns.** The Borrowers have filed, or caused to be filed, in a timely manner all U.S. federal tax returns and all other material tax returns, reports and declarations which are required to be filed. All information in such tax returns, reports and declarations is complete and accurate in all material respects. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

7.6 **Litigation.** Except as set forth on **Schedule 7.6**, as of the date hereof and as of the date of each Compliance Certificate: (a) there is no investigation by any Governmental Authority



pending, or to any Borrower's knowledge threatened, against or affecting any Borrower, its or their assets or business; and (b) there is no action, suit, proceeding or claim by any Person pending, or to any Borrower's knowledge threatened, against any Borrower or its or their assets or goodwill, or against or affecting) any transactions contemplated by this Agreement; in each case, which could reasonably be expected to have a Material Adverse Effect.

#### **7.7 Compliance with Other Agreements and Applicable Laws**

(a) Borrowers are not in default in any respect under, or in violation in any respect of the terms of, any material agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound, except where such violation could not reasonably be expected to result in a Material Adverse Effect. Borrowers are in compliance in all material respects with the requirements of all applicable laws, rules, regulations, listing standards and orders of any Governmental Authority, regulatory agency or securities exchange relating to their Capital Stock or their respective businesses.

(b) Borrowers have obtained all permits, licenses, approvals, consents, certificates, orders or authorizations of any Governmental Authority required for the lawful conduct of its business (the "Permits"), except those which could not reasonably be expected to have a Material Adverse Effect. All of the Permits are valid and subsisting and in full force and effect. There are no actions, claims or proceedings pending or to any Borrower's knowledge, threatened that seek the revocation, cancellation, suspension or modification of any of the Permits which even if resolved unfavorably, could reasonably be expected to result in a Material Adverse Effect.

#### **7.8 Environmental Compliance**

(a) Except as set forth on **Schedule 7.8**, Borrowers and any Subsidiary of any Borrower have not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates in any material respect any, applicable Environmental Law or Permit, and the operations of Borrowers and any Subsidiary of any Borrower complies in all material respects with all Environmental Laws and all Permits, except in each case for such violations or failures which could not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on **Schedule 7.8**, there is no pending investigation by any Governmental Authority or any proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or to any Borrower's knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by any Borrower and any Subsidiary or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which in any case could reasonably be expected to result in a Material Adverse Effect.

(c) Except as set forth on **Schedule 7.8**, Borrowers and their Subsidiaries have no liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials which in any case could reasonably be expected to result in a Material Adverse Effect.

(d) Borrowers and their Subsidiaries have all Permits required to be obtained or filed in connection with the operations of Borrowers under any Environmental Law and all of such licenses, certificates, approvals or similar authorizations and other Permits are valid and in full force and effect, except as could not reasonably be expected to result in a Material Adverse Effect.

#### 7.9 **Employee Benefits.**

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or State law. Each Plan which is intended to qualify under Section 401(a) of the Code, has either received a favorable determination letter from the Internal Revenue Service or can rely on an opinion letter from the Internal Revenue Service issued to a pre-approved plan sponsor to the effect that such Plan is so qualified and, to any Borrower's knowledge, nothing has occurred which would cause the loss of such qualification. Each Borrower and its ERISA Affiliates have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) Except as could not reasonably be expected to have a Material Adverse Effect, there are no pending, or to any Borrower's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan. Except as could not reasonably be expected to have a Material Adverse Effect, there has been no prohibited transaction or violation of the fiduciary responsibility rules under ERISA with respect to any Plan.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) except as could not reasonably be expected to have a Material Adverse Effect, each Borrower, and their ERISA Affiliates, have not incurred and do not reasonably expect to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iii) except as could not reasonably be expected to have a Material Adverse Effect, each Borrower and their ERISA Affiliates, have not incurred and do not reasonably expect to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA with respect to a Multiemployer Plan; and (iv) except as could not reasonably be expected to have a Material Adverse Effect, each Borrower, and their ERISA Affiliates, have not engaged in a transaction that would be subject to Section 4069 or 4212(c) of ERISA.

7.10 **Bank Accounts.** As of the date hereof, all of the deposit accounts, investment accounts or other accounts in the name of or used by any Borrower maintained at any bank or other financial institution are set forth on **Schedule 7.10.**

7.11 **SEC Reporting Compliance.** All reports filed by a Borrower with the SEC during the past three (3) years, as amended, complied in all material respects with all SEC rules and regulations on the date of filing and did not contain any material misstatement or material omission that caused a statement contained therein in light of the circumstances under which it was made to be misleading.

#### 7.12 **Subsidiaries; Capitalization; Solvency.**

(a) **Exhibit 21.1** to the Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 ("**2016 Annual Report**"), lists each Significant Subsidiary of the Parent as of the end of such fiscal year. Except as set forth on the 2016 Annual Report and **Schedule 7.12**, as of the date hereof, Parent does not have any other Significant Subsidiaries.

(b) As of the date hereof, except as set forth on Schedule 7.12 with respect to Bluegreen Corporation, each Borrower is the record and beneficial owner of all of the issued and outstanding shares of Capital Stock (including membership interests as to limited liability companies) of each of the Subsidiaries listed on Schedule 7.12 as being owned by such Borrower and, except as set forth on Schedule 7.12, there are no proxies, irrevocable or otherwise, with respect to such shares or membership interests and no equity securities of any of the Subsidiaries are or may become required to be issued by reason of any options, warrants, rights to subscribe to, calls or commitments of any kind or nature and there are no contracts, commitments, understandings or arrangements by which any Subsidiary is or may become bound to issue additional shares or membership interests or securities convertible into or exchangeable for such shares.

(c) As of the date hereof, the issued and outstanding shares of Capital Stock of each Borrower (other than Parent) are directly and beneficially owned and held by the persons indicated on Schedule 7.12, and in each case all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except as disclosed in writing to Administrative Agent prior to the date hereof.

(d) Parent and Woodbridge are Solvent and will continue to be Solvent after the creation of the Obligations, the security interests of Administrative Agent and the other transaction contemplated hereunder.

### 7.13 Labor Disputes.

(a) Set forth on Schedule 7.13 is a list (including dates of termination) of all collective bargaining or similar agreements between or applicable to each Borrower and any union, labor organization or other bargaining agent in respect of the employees of any Borrower on the date hereof.

(b) Except as could not reasonably be expected to result in a Material Adverse Effect, there is: (i) no significant unfair labor practice complaint pending against any Borrower or, to any Borrower's knowledge, threatened against it before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is pending on the date hereof against any Borrower or, to any Borrower's knowledge, threatened against it; and (ii) no significant strike, labor dispute, slowdown or stoppage is pending against any Borrower or, to any Borrower's knowledge, threatened against any Borrower.

7.14 Material Contracts. Parent has filed each Material Contract required to be filed by Parent with the SEC pursuant to the Exchange Act. Parent or its applicable Subsidiary is not in breach or in default in any material respect of or under any Material Contract and have not received any notice of the intention of any other party thereto to terminate any Material Contract.

7.15 Accuracy and Completeness of Information. All information furnished by or on behalf of any Borrower in writing to Administrative Agent or any Lender in connection with this Agreement or any of the other Loan Documents or any transaction contemplated hereby or thereby, including all information on the Schedules attached hereto are true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. Since December 31, 2017, no event or circumstance has occurred which has had or could reasonably be expected to have a Material Adverse Effect, which has not been fully and accurately disclosed to Administrative Agent in writing prior to the date hereof.

7.16 **Survival of Warranties; Cumulative.** All representations and warranties contained in this Agreement or any of the other Loan Documents shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Administrative Agent and Lenders on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Administrative Agent and Lenders regardless of any investigation made or information possessed by Administrative Agent or any Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which any Borrower shall now or hereafter give, or cause to be given, to Administrative Agent or any Lender.

7.17 **Patriot Act.** To the extent applicable, the Borrowers are in compliance, in all material respects, with the: (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto; and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "**Patriot Act**"). No part of the proceeds of the Loans will be used by any Borrower or any of their Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

7.18 **OFAC.** No Borrower nor any of its Subsidiaries is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC. No Borrower nor any of its Subsidiaries: (a) is a Sanctioned Person or a Sanctioned Entity; (b) has its assets located in Sanctioned Entities; or (c) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any Loan will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

7.19 **Anti-Terrorism Laws.** No Borrower or any of their Subsidiaries is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 et seq.), as amended. No Borrower or any of their Subsidiaries is in violation of (a) the Trading with the Enemy Act, as amended; (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto; or (c) the Patriot Act. No Borrower or any of their Subsidiaries is a blocked person described in Section 1 of the Anti-Terrorism Order or, to the best of its knowledge, engages in any dealings or transactions, or is otherwise associated, with any such blocked person. Each Borrower shall deliver to Administrative Agent, Issuing Banks and Lenders any certifications or other evidence requested from time to time by Administrative Agent, any Issuing Bank or any Lender in its sole discretion, confirming compliance with this **Section 7.19.**

## **SECTION 8. AFFIRMATIVE AND NEGATIVE COVENANTS**

### **8.1 Maintenance of Existence.**

(a) Except as permitted by **Section 8.6**, each Borrower shall at all times preserve, renew and keep in full force and effect its existence as a corporation or limited liability company, as applicable, and rights and franchises with respect thereto and maintain in full force and effect all licenses, trademarks, trade names, approvals, authorizations, leases, contracts and permits necessary to carry on in all material respects the business as presently or proposed to be conducted.

(b) No Borrower shall change its name unless each of the following conditions is satisfied: (i) Administrative Agent shall have received not less than thirty (30) days' prior written notice from Borrower Agent of such proposed change in its corporate or limited liability company name, which notice shall accurately set forth the new name; and (ii) the Borrower Agent shall promptly thereafter deliver to Administrative Agent a copy of the amendment to the Certificate of Incorporation (or certificate of organization, as the case may be) of such Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation or organization of such Borrower promptly after it is available.

(c) No Borrower shall change its chief executive office, its mailing address, organizational identification number (or if it does not have one, shall not acquire one), type or jurisdiction of organization or other legal structure, in each case, unless Administrative Agent shall have received not less than thirty (30) days' prior written notice from Borrower Agent of such proposed change, which notice shall set forth such information with respect thereto as Administrative Agent may require and Administrative Agent shall have received such agreements as Administrative Agent may reasonably require in connection therewith.

## 8.2 **Compliance, with Laws, Regulations, Etc.**

(a) Each Borrower shall, at all times, comply in all material respects with all laws, rules, regulations, licenses, listing standards, approvals, orders and other Permits applicable to it and duly observe all requirements of any foreign, Federal, State or local Governmental Authority, regulatory entity or securities exchange except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(b) Borrowers shall give written notice to Administrative Agent promptly upon any Borrower's receipt of any notice of, or any Borrower's otherwise obtaining knowledge of: (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material; or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Borrower; or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material other than in the ordinary course of business and other than as permitted under any applicable Environmental Law, in each case which would reasonably be expected to have a Material Adverse Effect. Copies of all material environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by such Borrower to Administrative Agent as reasonably requested by Administrative Agent. Each Borrower shall take prompt action in accordance with applicable timetables pursuant to Environmental Law to respond to any material non-compliance with any of the Environmental Laws and shall regularly report to Administrative Agent on such response.

(c) Borrowers shall indemnify and hold harmless Administrative Agent and Lenders and their respective directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including reasonable attorneys' fees and expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including the costs of any required or necessary repair, cleanup or other remedial work with respect to any property of any Borrower and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this **Section 8.2** shall survive the payment of the Obligations and the termination of this Agreement.

8.3 **Payment of Taxes and Claims.** Each Borrower shall, and shall cause any Subsidiary to, duly pay and discharge all taxes assessments, contributions and governmental charges upon or against it or its properties or assets (collectively, "**Borrowers' Taxes**"), except where the failure to so pay or discharge could not reasonably be expected to have a Material Adverse Effect or with respect to Borrowers' Taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower or Subsidiary, as the case may be, and as to which adequate reserves have been set aside on its books. Each Borrower shall be liable for any of its Taxes or penalties with respect thereto imposed on Administrative Agent or any Lender as a result of the financing arrangements provided for herein and each Borrowers agree to indemnify and hold Administrative Agent harmless with respect to the foregoing. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement.

8.4 **SEC Reporting; NYSE Listing.** At all times during the term of the Loan, the common stock of Parent shall remain listed on the New York Stock Exchange and all shares of any Borrower or Subsidiary registered under the Securities Exchange Act of 1934 (the "**Exchange Act**") as of the date hereof shall remain so registered. Parent shall cause the timely filing with the SEC of all reports of any Borrower or Subsidiary required to be filed pursuant to the Exchange Act.

8.5 **Financial Statements and Other Information.**

(a) Parent shall keep proper books and records in which true and complete entries in all material respects shall be made of all dealings or transactions of or in relation to the Collateral and the business of the Borrowers and their Subsidiaries in accordance with GAAP. Borrowers shall promptly furnish to Administrative Agent and Lenders all such financial and other information as Administrative Agent shall reasonably request relating to the Collateral and the assets, business and operations of Borrowers. Without limiting the foregoing:

(i) Parent shall furnish or cause to be furnished to Administrative Agent, company-prepared operating budgets within ninety (90) days after each Borrower's fiscal year end (commencing with the fiscal year ending on December 31, 2018) presenting the annual operating budgets of Parent and its Subsidiaries as of the end of and through such fiscal year. Such operating budgets shall be in a form reasonably satisfactory to the Administrative Agent and shall be certified to be correct by the chief financial officer or chief accounting officer of Parent or an authorized signature of such Borrower attesting to the Administrative Agent the accuracy of the operating budgets.

(ii) Parent shall furnish or cause to be furnished to Administrative Agent, commencing on December 31, 2018, consolidated audited annual financial statements, including balance sheets, and income statements within ninety (90) days after Parent's fiscal year end, presenting the financial position and the results of the operations of Parent and its Subsidiaries as of the end of and through such fiscal year. Such consolidated audited annual financial statements shall be: (a) in a form reasonably satisfactory to the Administrative Agent; (b) certified to be correct by the chief financial officer or chief accounting officer of Parent or an authorized signature of such Borrower attesting to the Administrative Agent the accuracy of the financial statements; and (c) contain the unqualified opinion of the independent certified public accountants auditing the same, that such audited annual consolidated financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Parent and its Subsidiaries as of the end of and for the fiscal year then ended. Notwithstanding the foregoing, in the event that Parent delivers to the Administrative Agent an Annual Report for Parent on Form 10-K for such fiscal year, as filed with the SEC, within ninety (90) days after the end of such fiscal year, such Form 10-K shall satisfy the requirements of this **clause (a)(ii)**.

(iii) Parent shall furnish or cause to be furnished to Administrative Agent, no later than forty-five (45) days from the end of each fiscal quarter (commencing with the quarter ending on December 31, 2018), quarterly interim unaudited financial statements, including balance sheets, and income statements, presenting the consolidated financial position and the results of the operations of Parent and its Subsidiaries as of the end of and through such fiscal quarter. Such quarterly interim unaudited financial statements shall be: (a) in a form reasonably satisfactory to the Administrative Agent; (b) certified to be correct by the chief financial officer or chief accounting officer of Parent or an authorized signature of such Borrower attesting to the Administrative Agent the accuracy of the financial statements; and (c) accompanied by the Compliance Certificate, along with a schedule in a form satisfactory to Administrative Agent of the calculations used in determining, as of the end of such month, whether Borrowers are in compliance with the covenants set forth in **Section 8.14**, **Section 8.15** and **Section 8.16** of this Agreement for such fiscal quarter. Notwithstanding the foregoing, in the event that Parent delivers to the Administrative Agent a Quarterly Report for Parent on Form 10-Q for such fiscal quarter, as filed with the SEC, within forty-five (45) days after the end of such fiscal year, such Form 10-Q shall satisfy the requirements of this **clause (a)(iii)** (other than **clause (a)(iii)(c)**).

(b) Borrowers shall promptly notify Administrative Agent in writing of the details of: (i) any loss, damage, investigation, action, suit proceeding or claim which could reasonably be expected to result in any material adverse change in the Borrowers' business, properties, assets, goodwill or condition, financial or otherwise (taken as a whole); (ii) any order, judgment or decree in excess of \$5,000,000.00 shall have been entered against any Borrower or any of its or their properties or assets; (iii) any notification of a violation of laws or regulations received by any Borrower, which could reasonably be expected to result in a Material Adverse Effect; and (iv) the occurrence of any Default or Event of Default.

(c) Parent shall promptly after the sending or filing thereof furnish or cause to be furnished to Administrative Agent copies of all reports which Parent sends to its stockholders generally and copies of all reports and registration statements which it files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc. Notwithstanding the foregoing, the information required to be delivered pursuant to this **Section 8.5(c)** shall be deemed to have been delivered if such information shall be publicly available on the website of the SEC at <http://www.sec.gov>.

(d) Borrowers shall furnish or cause to be furnished to Administrative Agent such budgets, forecasts, projections and other information with respect to the Collateral and the business of Borrowers, as Administrative Agent may, from time to time, reasonably request. Administrative Agent is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrowers to any court or other Governmental Authority in response to any order from such court or Governmental Authority and, as permitted by law, with the prior written notice to Borrower Agent of Administrative Agent's intention to do so, or to any Lender or Participant or prospective Lender or Participant or any Affiliate of any Lender or Participant. Any documents, schedules, invoices or other papers delivered to Administrative Agent or any Lender may be destroyed or otherwise disposed of by Administrative Agent or such Lender one (1) year after the same are delivered to Administrative Agent or such Lender, except as otherwise designated by Borrower Agent to Administrative Agent or such Lender in writing.

## 8.6 Consolidation, Merger, Dissolution, Etc

Each Borrower shall not directly or indirectly,

(a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it, except for any such merger, or consolidation of or by any Subsidiary of a Borrower existing on the date hereof into such Borrower or by a Borrower into such Subsidiary so long as: (i) the successor to the Borrower has unconditionally assumed in writing all of the payment and performance obligations of the Borrower under this Agreement and the other Loan Documents; and (ii) such merger or consolidation shall not result in a Material Adverse Effect.

(b) wind up, liquidate or dissolve; or

(c) agree to do any of the foregoing.

Notwithstanding the foregoing, nothing shall prohibit a Borrower (other than Parent or Woodbridge) from dissolving or liquidating provided that such Borrower has no Loans outstanding under this Agreement at such time.

## 8.7 Encumbrances/Negative Pledge

(a) Parent and Woodbridge Holdings shall not create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of the Collateral, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any security interest or lien with respect to the Collateral, except: (i) the security interests and liens of Administrative Agent for itself and the benefit of Lenders and the rights of setoff of Secured Parties provided for herein, pursuant to the Security Agreement or under applicable law; (ii) liens securing the payment of taxes, assessments or other governmental charges or levies either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Parent or Woodbridge Holdings, as the case may be and with respect to which adequate reserves have been set aside on its books; and (iii) judgments and other similar liens arising in connection with court proceedings that do not constitute an Event of Default or for which a stay of enforcement is in effect; provided, that: (i) such liens are being contested in good faith and by appropriate proceedings diligently pursued; and (ii) adequate reserves or other appropriate provision, if any, as are required by GAAP have been made therefor;

(b) From and after the date of this Agreement, and until payment and performance in full of all Obligations due and owing or otherwise to be performed by Borrowers in accordance with the terms and conditions of this Agreement and the other Loan Documents: (i) Parent covenants and agrees that it shall not pledge, sell, assign, mortgage, encumber, hypothecate or otherwise transfer any of its equity interests in Woodbridge Holdings; (ii) Woodbridge Holdings covenants and agrees that it shall not pledge, sell, assign, mortgage, encumber, hypothecate or otherwise transfer any of its interests in and to the Bluegreen Dividends corresponding to the Membership Interests pledged under the Security Agreement; and (iii) no Borrower shall, directly, or indirectly, create or otherwise cause or suffer to exist any encumbrance or restriction which prohibits or limits the ability of Bluegreen Corporation to pay dividends or make other distributions to Woodbridge Holdings.

8.8 Indebtedness. Each Borrower shall not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Indebtedness, or guarantee, assume, endorse, or



otherwise become responsible for (directly or indirectly), the Indebtedness, performance, obligations or dividends of any other Person, except:

- (a) the Obligations;
- (b) Contingent Indebtedness (in the aggregate with all other Borrowers) not to exceed \$100,000,000.00;
- (c) the Indebtedness of any Borrower to any other Borrower arising after the date hereof pursuant to loans by any Borrower permitted under **Section 8.9(e)** hereof;
- (d) Indebtedness permitted to be assumed in connection with any acquisition funded with a Loan for Business Acquisition Purposes;
- (e) Indebtedness of any Borrower entered into in the ordinary course of business pursuant to a Hedge Agreement; provided, that: (i) such arrangements are with a Bank Product Provider; (ii) such arrangements are not for speculative purposes; and (iii) such Indebtedness shall be unsecured, except to the extent such Indebtedness constitutes part of the Obligations arising under or pursuant to Hedge Agreements with a Bank Product Provider that are secured under the terms hereof;
- (f) the Indebtedness set forth on **Schedule 8.8** and any refinancing, renewal, amendment, modification or alteration thereof. Borrowers shall furnish to Administrative Agent all notices of a default or an event of default in connection with such Indebtedness either received by any Borrower or on its behalf, promptly after the receipt thereof, or sent by any Borrower or on its behalf, concurrently with the sending thereof, as the case may be; and
- (g) any other indebtedness, including, but not limited to, any indebtedness convertible into or exchangeable for Capital Stock of any Borrower, not to exceed \$100,000,000.00, in the aggregate. For the avoidance of doubt, Indebtedness incurred by any Subsidiary of any Borrower shall not be deemed to have been incurred by such Borrower unless such Borrower is legally obligated on such Indebtedness (whether such liability is direct or contingent).

8.9 **Loans, Investments, Etc.** Each Borrower shall not directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the Capital Stock or Indebtedness of any person, or agree to do any of the foregoing, except:

- (a) as permitted in connection with any Loan under this Agreement for Business Acquisition Purposes or Stock Buy Back Purposes;
- (b) the endorsement of instruments for collection or deposit in the ordinary course of business;
- (c) for investments in or loans to any Affiliates in which Borrower has an equity investment;
- (d) obligations of account debtors to any Borrower arising from accounts receivable;

(e) the loans and advances set forth on Schedule 8.9(e) and any refinancing, renewal, amendment, modification or alteration thereof. Borrowers shall furnish to Administrative Agent all notices of a default or event of default in connection with such loans and advances either received by any Borrower or on its behalf, promptly after the receipt thereof, or sent by any Borrower or on its behalf, concurrently with the sending thereof, as the case may be.

8.10 **Dividends and Redemptions.** Each Borrower shall not, directly or indirectly, declare or pay any dividends on account of any shares of class of any Capital Stock of such Borrower now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any shares of any class of Capital Stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares or agree to do any of the foregoing; except, that:

(a) any Borrower may declare and pay such dividends or redeem, retire, defease, purchase or otherwise acquire any shares of any class of Capital Stock for consideration in the form of shares of common stock (so long as after giving effect thereto no Change of Control or other Default or Event of Default shall exist or occur);

(b) any Subsidiary of a Borrower may pay dividends to a Borrower;

(c) Bluegreen Corporation may pay Bluegreen Dividends, provided that Woodbridge Holdings is paid its proportionate share;

(d) Parent may pay dividends on its outstanding five percent (5%) Cumulative Preferred Stock;

(e) any Borrower may redeem, repurchase or otherwise acquire any shares of any class of Capital Stock funded with a Loan for Stock Buy Back Purposes;

(f) Parent may from time to time pay cash dividends on or declare a stock split in respect of its outstanding shares of Capital Stock or may repurchase outstanding shares of Capital Stock; provided, that:

(i) as of the date of the payment for any such dividend or repurchase, and after giving effect thereto, no Default or Event of Default shall exist or have occurred and be continuing;

(ii) such dividend or repurchase shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which any Borrower or its or their property are bound; and

(iii) such dividend or repurchase shall be paid out of legally available funds therefor.

(g) for so long, as any Borrower is a member of a group filing a consolidated, combined, unitary or similar tax return with any direct or indirect parent of such Borrower, Borrowers may make payments to such direct or indirect parent in respect of a reasonable estimate of the allocable portion of the consolidated, combined, unitary or similar income taxes of such group that are attributable to the income of such Borrower and/or any Subsidiaries thereof (to the extent such taxes are not payable directly by any such Borrower or any of their respective Subsidiaries) ("**Tax Payments**").

8.11 **Compliance with ERISA.** To the extent as may be applicable, each Borrower shall: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and State law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; (c) not terminate any of such Plans so as to incur any material liability to the Pension Benefit Guaranty Corporation; (d) not allow or suffer to exist any prohibited transaction involving any of such Plans or any trust created thereunder which would subject such Borrower or such ERISA Affiliate to a material tax or penalty or other material liability on prohibited transactions imposed under Section 4975 of the Code or ERISA; (e) make all required material contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan; (f) not allow or suffer to exist any failure to meet the minimum funding standards of Section 412(a) of the Code in any material respect, with respect to any such Plan; or (g) allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such Plan that is a single employer plan, which termination could result in any material liability to the Pension Benefit Guaranty Corporation.

8.12 **End of Fiscal Years; Fiscal Quarters.** Unless otherwise prescribed by law, Parent shall, for financial reporting purposes, cause its: (a) fiscal years to end in December of each year; and (b) fiscal quarters to end in March, June, September and December of each year.

8.13 **Change in Business.** Each Borrower shall not engage in any business other than the business of such Borrower on the date hereof and any business reasonably related, ancillary or complementary to the business in which such Borrower is engaged on the date hereof.

8.14 **Fixed Charge Coverage Ratio.** As of the last day of any fiscal quarter Borrowers shall not permit the Fixed Charge Coverage Ratio to be less than 2.00 to 1.00 as tested on a trailing four (4) quarter basis. Administrative Agent shall calculate the Borrowers' Fixed Charge Coverage Ratio using: (i) the quarterly unaudited interim financial statements to be delivered to Administrative Agent pursuant to **Section 8.5(a)(iii)**; and (ii) the Compliance Certificate.

8.15 **Senior Funded Debt to EBITDA.** As of the last day of any fiscal quarter Borrowers shall not permit the Senior Funded Debt to EBITDA ratio to be greater than 2.25 to 1.00 as tested on a trailing four (4) quarter basis. Administrative Agent shall calculate the Borrowers' Senior Funded Debt to EBITDA using: (i) the quarterly unaudited interim financial statements to be delivered to Administrative Agent pursuant to **Section 8.5(a)(iii)**; and (ii) the Compliance Certificate.

8.16 **Unencumbered Minimum Liquidity.** As of the last day of any fiscal quarter Borrowers shall not permit, on a consolidated basis, the Unencumbered Liquidity to be less than \$40,000,000.00 in the aggregate. Administrative Agent shall calculate the Borrowers' Unencumbered Liquidity using: (i) the quarterly unaudited interim financial statements to be delivered to Administrative Agent pursuant to **Section 8.5(a)(iii)**; and (ii) the Compliance Certificate.

8.17 **Costs and Expenses.** Borrowers shall pay to Administrative Agent on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Administrative Agent's rights in the Collateral, this Agreement, the other Loan Documents and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses of filing or recording (including UCC financing statement filing taxes and fees or other registrations or filing fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) search fees, costs and expenses of remitting loan proceeds, collecting

checks and other items of payment, together with Administrative Agent's customary charges and fees with respect thereto; (c) charges, fees or expenses charged by any bank or Issuing Bank in connection with the Letters of Credit; (d) costs and expenses of preserving and protecting the Collateral; (e) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Administrative Agent, selling, or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Loan Documents or defending any claims made or threatened against Administrative Agent or any Lender arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters); and (f) the reasonable and documented fees and disbursements of counsel (including legal assistants) to Administrative Agent in connection with any of the foregoing.

8.18 **Employment of Key Personnel.** At all times during the term of the Loan, absent the approval of the Administrative Agent, at least two (2) of Alan B. Levan, Jarrett S. Levan and John E. Abdo shall remain employed or otherwise engaged in their respective positions with the Borrowers and Subsidiaries, as applicable, with no material change to their titles, roles or duties.

8.19 **Control of Certain Subsidiaries.** At all times during the term of the Loan, Parent shall own not less than one hundred percent (100%) of the issued and outstanding securities of Woodbridge Holdings and Woodbridge Holdings shall own capital stock of Bluegreen Corporation representing a minimum of eighty percent (80%) of the issued and outstanding and the aggregate voting power of all issued and outstanding shares of common stock. Notwithstanding anything in this Agreement to the contrary, Bluegreen Corporation may issue other shares of its Capital Stock.

## **SECTION 9. EVENTS OF DEFAULT AND REMEDIES**

9.1 **Events of Default.** The occurrence or existence of any one or more of the following events are referred to herein individually as an "**Event of Default**," and collectively as "**Events of Default**":

(a) Borrowers fail to pay principal or interest on any Loan or any reimbursement obligation with respect to Letters of Credit within five (5) Business Days after when due or shall fail to pay any Obligation other than principal or interest on any Loan or any reimbursement obligation with respect to Letters of Credit within five (5) Business Days after written notice of non-payment has been received by Borrowers from the Administrative Agent;

(b) (i) Borrowers fail to perform any of the covenants contained in **Sections 8.1(a), 8.5(b)(iv)** (with respect to notices of Default or Events of Default), **8.6, 8.7, 8.8, 8.9, 8.10, 8.13, 8.14, 8.15, 8.16, 8.18** or **8.19** of this Agreement; or (ii) Borrowers fail to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Loan Documents (other than those specified elsewhere in this **Section 9.1**) and such failure shall continue for thirty (30) days after written notice thereof has been received by Borrowers from the Administrative Agent;

(c) any default by Bluegreen Corporation under any other loan facilities other than the Credit Facility (whether or not such loan facilities were made by any of the Lenders) the effect of which shall prohibit Bluegreen Corporation from making distributions to Woodbridge Holdings for two (2) consecutive fiscal quarters;

(d) any representation, warranty or statement of fact made by Parent or Woodbridge Holdings to Administrative Agent in this Agreement, the other Loan Documents or any other written agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

(e) any Obligor (other than the Borrowers) revokes or terminates or purports to revoke or terminate or fails to perform in any material respect any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Administrative Agent or any Lender;

(f) any final non-appealable judgment for the payment of money is rendered against any Borrower or Obligor in excess of \$10,000,000.00 in any one case or in excess of \$10,000,000.00 in the aggregate (to the extent not covered by insurance where the insurer has assumed responsibility in writing for such judgment) and shall remain undischarged or unvacated for a period in excess of sixty (60) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against any Borrower or Obligor or any of the Collateral having a value in excess of \$10,000,000.00;

(g) Parent or Woodbridge Holdings dissolves or suspends or discontinues doing business (in each case, except as otherwise expressly permitted hereunder);

(h) Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect) makes an assignment for the benefit of creditors or calls a meeting of its creditors or principal creditors in connection with a moratorium or adjustment of the Indebtedness due to them;

(i) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect) or all or any part of their properties and such petition or application is not dismissed within sixty (60) days after the date of its filing or Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect) shall file any answer admitting or not contesting such petition or application or indicates their consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(j) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect) or for all or any part of their property;

(k) any default in respect of any Indebtedness of any Borrower or Obligor (other than Indebtedness owing to Administrative Agent and Lenders hereunder), in any case in an amount in excess of \$10,000,000.00 which default continues for more than the applicable cure period, if any, with respect thereto or any default by any Borrower or Obligor under any Material Contract in excess of \$10,000,000.00, which default continues for more than the applicable cure period, if any, with respect thereto and/or is not waived in writing by the other parties thereto;

(l) any material provision hereof or of any of the other Loan Documents shall for any reason cease to be valid, binding and enforceable with respect to any party hereto or thereto (other than Administrative Agent) in accordance with its terms, or any such party shall challenge the enforceability

hereof or thereof, or shall assert in writing, or take any action or fail to take any action based on the assertion that any material provision hereof or of any of the other Loan Documents has ceased to be or is otherwise not valid, binding or enforceable in accordance with its terms, or any security interest provided for herein or in any of the other Loan Documents shall cease to be a valid and perfected first priority security interest in any of the Collateral purported to be subject thereto (except as otherwise permitted herein or therein);

(m) an ERISA Event shall occur which results in or could reasonably be expected to result in liability of any Borrower in an aggregate amount in excess of \$1,000,000.00;

(n) any Change of Control;

(o) the indictment by any Governmental Authority, or as Administrative Agent may reasonably and in good faith determine, the threatened indictment by any Governmental Authority of Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect) of which the Borrowers or Administrative Agent receives notice, in either case, as to which there is a reasonable possibility of an adverse determination, in the good faith determination of Administrative Agent, under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against Parent or Woodbridge Holdings (or any other Borrower to the extent the same shall result in a Material Adverse Effect), pursuant to which statute or proceedings the penalties or remedies sought or available include (i) forfeiture of any of the Collateral; or (ii) any other property of Parent or Woodbridge Holdings (or of other Borrower to the extent the same shall result in a Material Adverse Effect) which is necessary or material to the conduct of its business;

(p) there shall be a change in the business, assets or prospects of the Borrowers (taken as a whole) after the date hereof which shall result in a Material Adverse Effect as to the Borrowers (taken as a whole); or

(q) there shall be an event of default under any of the other Loan Documents after the passage of any applicable cure period with respect thereto provided for under such other Loan Document; provided, that, such event of default is capable of being cured during such cure period.

## 9.2 **Remedies.**

(a) At any time an Event of Default exists or has occurred and is continuing, Administrative Agent and Lenders shall have all rights and remedies provided in this Agreement, the other Loan Documents, the UCC and other applicable law, all of which rights and remedies may be exercised without notice to or consent by any Borrower or Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Administrative Agent and Lenders hereunder, under any of the other Loan Documents, the UCC or other applicable law, are cumulative, not exclusive and enforceable, in Administrative Agent's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Borrower or Obligor of this Agreement or any of the other Loan Documents. Subject to **Section 11** hereof, Administrative Agent may, and at the direction of the Required Lenders shall, at any time or times, proceed directly against any Borrower or Obligor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Administrative Agent may, in its discretion, and upon the direction of the Required Lenders, shall: (i) accelerate the payment of all Obligations and demand immediate payment

thereof to Administrative Agent for itself and the ratable benefit of Lenders (provided, that, upon the occurrence of any Event of Default described in **Sections 9.1(g)** and **9.1(h)**, all Obligations shall automatically become immediately due and payable); and/or (ii) terminate the Commitments and this Agreement.

(c) To the extent that applicable law imposes duties on Administrative Agent or any Lender to exercise remedies in a commercially reasonable manner (which duties cannot be waived under such law), each Borrower acknowledges and agrees that it is not commercially unreasonable for Administrative Agent or any Lender: (i) to fail to incur expenses reasonably deemed significant by Administrative Agent or any Lender to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition; (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain consents of any Governmental Authority or other third party for the collection or disposition of Collateral to be collected or disposed of; (iii) to fail to exercise collection remedies against account debtors, secondary obligors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral; (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists; (v) to disclaim disposition warranties; (vi) to purchase insurance or credit enhancements to insure Administrative Agent or Lenders against risks of loss, collection or disposition of Collateral or to provide to Administrative Agent or Lenders a guaranteed return from the collection or disposition of Collateral; or (vii) to the extent deemed appropriate by Administrative Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Administrative Agent in the collection or disposition of any of the Collateral. Each Borrower acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Administrative Agent or any Lender would not be commercially unreasonable in the exercise by Administrative Agent or any Lender of remedies against the Collateral and that other actions or omissions by Administrative Agent or any Lender shall not be deemed commercially unreasonable solely on account of not being indicated in this Section. Without limitation of the foregoing, nothing contained in this Section shall be construed to grant any rights to any Borrower or to impose any duties on Administrative Agent or Lenders that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(d) Administrative Agent may apply the cash proceeds of Collateral actually received by Administrative Agent from any sale, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Administrative Agent may elect, whether or not then due. Borrowers shall remain liable to Administrative Agent and Lenders for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and expenses.

(e) Without limiting the foregoing, upon the occurrence of a Default or an Event of Default: (i) Administrative Agent and Lenders may, at Administrative Agent's option, and upon the occurrence of an Event of Default at the direction of the Required Lenders. Administrative Agent and Lenders shall, without notice: (a) cease making Loans or arranging for Letters of Credit or reduce the lending formulas or amounts of Loans and Letters of Credit available to Borrowers; and/or (ii) terminate any provision of this Agreement providing for any future Loans or Letters of Credit to be made by Administrative Agent and Lenders to Borrowers.

**SECTION 10. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW**

**10.1 Governing Law; Choice of Form; Service of Process; Jury Trial Waiver**

(a) The validity, interpretation and enforcement of this Agreement and the other Loan Documents and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Florida but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of Florida.

(b) Borrowers, Administrative Agent and Lenders irrevocably consent and submit to the non-exclusive jurisdiction of the Circuit Court of Broward or Palm Beach County, Florida and the United States District Court for the Southern District of Florida, whichever Administrative Agent may elect, and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Loan Documents or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Loan Documents or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except, that, Administrative Agent and Lenders shall have the right to bring any action or proceeding against any Borrower or its or their property in the courts of any other jurisdiction which Administrative Agent deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against any Borrower or its or their property).

(c) Each Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Administrative Agent's option, by service upon any Borrower (or Borrower Agent on behalf of such Borrower) in any other manner provided under the rules of any such courts.

**(d) BORROWERS, ADMINISTRATIVE AGENT AND LENDERS EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWERS, ADMINISTRATIVE AGENT AND LENDERS EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY BORROWER, ADMINISTRATIVE AGENT OR ANY LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.**

(e) Administrative Agent and Lender shall not have any liability to any Borrower (whether in tort, contract, equity or otherwise) for losses suffered by such Borrower in



connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Administrative Agent, such Lender and Issuing Bank, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. Each Borrower: (i) certifies that neither Administrative Agent, any Lender, any Issuing Bank nor any representative, agent or attorney acting for or on behalf of Administrative Agent, any Lender or Issuing Bank has represented, expressly or otherwise, that Administrative Agent, Lenders and each Issuing Bank would not, in the event of litigation, seek to enforce any of the waivers provided for in this Agreement or any of the other Loan Documents; and (ii) acknowledges that in entering into this Agreement and the other Financing Agreements, Administrative Agent, Lenders and each Issuing Bank are relying upon, among other things, the waivers and certifications set forth in this **Section 10.1** and elsewhere herein and therein.

10.2 **Waiver of Notices.** Each Borrower hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and chattel paper, included in or evidencing any, of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Borrower which Administrative Agent or any Lender may elect to give shall entitle such Borrower to any other notice or demand in the same, similar or other circumstances.

### 10.3 **Amendments and Waivers.**

(a) Neither this Agreement nor any other Loan Document nor any terms hereof or thereof may be amended, waived, discharged or terminated unless such amendment, waiver, discharge or termination is in writing signed by Administrative Agent and the Required Lenders or at Administrative Agent's option, by Administrative Agent with the authorization of the Required Lenders, and as to amendments to any of the Loan Documents (other than with respect to any provision of **Section 11** hereof), by any Borrower; except, that, no such amendment, waiver, discharge or termination shall:

(i) reduce the interest rate or any fees or extend the time of payment of principal, interest or any fees or reduce the principal amount of any Loan or Letters of Credit, in each case without the consent of each Lender directly affected thereby;

(ii) increase the Commitment of any Lender over the amount thereof then in effect or provided hereunder, in each case without the consent of the Lender directly affected thereby;

(iii) release any Collateral (except as expressly required hereunder or under any of the other Loan Documents or applicable law and except as permitted under **Section 11.9(b)** hereof), without the consent of Administrative Agent and all of Lenders;

(iv) reduce any percentage specified in the definition of Required Lenders, without the consent of Administrative Agent and all of Lenders;

(v) consent to the assignment or transfer by any Borrower of any of their rights and obligations under this Agreement, without the consent of Administrative Agent and all of Lenders; or

(vi) amend, modify or waive any terms of this **Section 10.3** hereof, without the consent of Administrative Agent and all of Lenders.

(b) Administrative Agent and Lenders shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its or their rights, powers and/or remedies unless such waiver shall be in writing and signed as provided herein. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Administrative Agent or any Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Administrative Agent or any Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

(c) Notwithstanding anything to the contrary contained in **Section 10.3(a)** above, in connection with any amendment, waiver, discharge or termination, in the event that any Lender whose consent thereto is required shall fail to consent or fail to consent in a timely manner (such Lender being referred to herein as a "**Non-Consenting Lender**"), but the consent of any other Lenders to such amendment, waiver, discharge or termination that is required are obtained, if any, then Administrative Agent shall have the right, but not the obligation, at any time thereafter, and upon the exercise by Administrative Agent of such right, such Non-Consenting Lender shall have the obligation, to sell, assign and transfer to Administrative Agent or such Eligible Transferee as Administrative Agent may specify, the Commitment, or right to make new Commitment, as applicable, of such Non-Consenting Lender and all rights and interests of such Non-Consenting Lender pursuant thereto. Administrative Agent shall provide the Non-Consenting Lender with prior written notice of its intent to exercise its right under this Section, which notice shall specify the date on which such purchase and sale shall occur. Such purchase and sale shall be pursuant to the terms of an Assignment and Acceptance (whether or not executed by the Non-Consenting Lender), except that on the date of such purchase and sale, Administrative Agent, or such Eligible Transferee specified by Administrative Agent, shall pay to the Non-Consenting Lender the amount equal to: (i) the principal balance of the Loans held by the Non-Consenting Lender outstanding as of the close of business on the Business Day immediately preceding the effective date of such purchase and sale; plus (ii) amounts accrued and unpaid in respect of interest and fees payable to the Non-Consenting Lender to the effective date of the purchase (but in no event shall the Non-Consenting Lender be deemed entitled to any early termination fee). Such purchase and sale shall be effective on the date of the payment of such amount to the Non-Consenting Lender and the Commitment of the Non-Consenting Lender shall terminate on such date.

(d) The consent of Administrative Agent shall be required for any amendment, waiver or consent affecting the rights or duties of Administrative Agent hereunder or under any of the other Loan Documents.

(e) The consent of Administrative Agent and a Bank Product Provider that is providing Bank Products and has outstanding any such Bank Products at such time that are secured hereunder shall be required for any amendment to the priority of payment of Obligations arising under or pursuant to any Hedge Agreements of a Borrower or other Bank Products as set forth in **Section 6.3(a)** hereof.

10.4 **Waiver of Counterclaims.** Each Borrower waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

10.5 **Indemnification.** Each Borrower shall, jointly and severally, indemnify and hold Administrative Agent and each Lender, and its officers, directors, agents, employees, advisors and counsel and their respective Affiliates (each such person being an "**Indemnitee**"), harmless from and against any and all losses, claims, damages, liabilities, costs or expenses (including attorneys' fees and expenses) imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Loan Documents, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement court costs, and the fees and expenses of counsel; except, that Borrowers shall not have any obligation under this **Section 10.5** to indemnify an Indemnitee with respect to a matter covered hereby resulting from the gross negligence or willful misconduct of such Indemnitee as determined pursuant to a final, non-appealable order of a court of competent jurisdiction (without limiting the obligations of Borrowers as to any other Indemnitee). To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrowers shall pay the maximum portion which it is permitted to pay under applicable law to Administrative Agent and Lenders in satisfaction of indemnified matters under this Section. To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any of the other Loan Documents or any undertaking or transaction contemplated hereby. All amounts due under this Section shall be payable upon demand. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement. This **Section 10.5** shall not apply with respect to Taxes other than any Taxes that represent claims, costs, losses, liabilities, damages or expenses arising from any non-Tax claim.

10.6 **Currency Indemnity.** If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement or any of the other Loan Documents, it becomes necessary to convert into the currency of such jurisdiction (the "**Judgment Currency**") any amount due under this Agreement or under any of the other Loan Documents in any currency other than the Judgment Currency (the "**Currency Due**"), then conversion shall be made pursuant to the Currency Exchange Convention at which Administrative Agent is able, on the relevant date, to purchase the Currency Due with the Judgment Currency prevailing on the Business Day before the day on which judgment is given. In the event that there is a change in the rate pursuant to the Currency Exchange Convention prevailing between the Business Day before the day on which the judgment is given and the date of receipt by Administrative Agent of the amount due, Borrowers will, on the date of receipt by Administrative Agent, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by Administrative Agent on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by Administrative Agent is the amount then due under this Agreement or such other of the Loan Documents in the Currency Due. If the amount of the Currency Due which Administrative Agent is able to purchase is less than the amount of the Currency Due originally due to it, Borrowers shall indemnify and save Administrative Agent and Lenders harmless from and against loss or damage arising as a result of such deficiency. The indemnity contained herein shall constitute an obligation separate and independent from the other obligations contained in this Agreement and the other Loan Documents, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by Administrative Agent or any Lender from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Agreement or any of the other Loan Documents or under any judgment or order. The term "**Currency Exchange Convention**" as used herein shall mean the procedure used by Administrative Agent to value in United States Dollars, any amount expressed in any currency, other than United States Dollars, in each

case by using the spot price for the purchase of United States Dollars with such other currency provided to Administrative Agent by the Reference Bank (or such other bank as Administrative Agent may specify for such purpose) for the immediately preceding Business Day.

## **SECTION 11. THE ADMINISTRATIVE AGENT**

11.1 **Appointment, Powers and Immunities.** Each Secured Party irrevocably designates, appoints and authorizes IBERIABANK to act as Administrative Agent hereunder and under the other Loan Documents with such powers as are specifically delegated to Administrative Agent by the terms of this Agreement and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Administrative Agent: (i) shall have no duties or responsibilities except those expressly set forth in this Agreement and in the other Loan Documents, and shall not by reason of this Agreement or any other Loan Document be a trustee or fiduciary for any Secured Party; (ii) shall not be responsible to Secured Parties for any recitals, statements, representations or warranties contained in this Agreement or in any of the other Loan Documents, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement or any other Loan Document, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Finance Agreement or any other document referred to or provided for herein or therein or for any failure by any Borrower or any other Person to perform any of its obligations hereunder or thereunder; and (iii) shall not be responsible to Secured Parties for any action taken or omitted to be taken by it hereunder or under any other Loan Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith, except for its own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Administrative Agent may employ agents and attorneys in fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys in fact selected by it in good faith. Administrative Agent may deem and treat the payee of any note as the holder thereof for all purposes hereof unless and until the assignment thereof pursuant to an agreement (if and to the extent permitted herein) in form and substance satisfactory to Administrative Agent shall have been delivered to and acknowledged by Administrative Agent.

11.2 **Reliance by Administrative Agent.** Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telecopy, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent in good faith. As to any matters not expressly provided for by this Agreement or any other Loan Document, Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder in accordance with instructions given by the Required Lenders or all of Lenders as is required in such circumstance, and such instructions of such Lenders and any action taken or failure to act pursuant thereto shall be binding on all Lenders.

### 11.3 **Events of Default.**

(a) Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or an Event of Default or other failure of a condition precedent to the Loans and Letters of Credit hereunder, unless and until Administrative Agent has received written notice from a Lender, or a Borrower specifying such Event of Default or any unfulfilled condition precedent, and stating that such notice is a "Notice of Default or Failure of Condition". In the event that Administrative Agent receives such a Notice of Default or Failure of Condition, Administrative Agent shall give prompt notice thereof to the Lenders and Borrower Agent. Administrative Agent shall (subject to **Section 11.7**) take such action with respect to any such Event of Default or failure of condition precedent as shall be directed by the Required Lenders: provided, that, unless and until Administrative Agent shall have received such

directions, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to or by reason of such Event of Default or failure of condition precedent, as it shall deem advisable in the best interest of Lenders. Without limiting the foregoing, and notwithstanding the existence or occurrence and continuance of an Event of Default or any other failure to satisfy any of the conditions precedent set forth in **Section 4** of this Agreement to the contrary, Administrative Agent may, but shall have no obligation to, continue to make Loans and issue or cause to be issued Letters of Credit for the ratable account and risk of Lenders from time to time if Administrative Agent believes making such Loans or issuing or causing to be issued such Letters of Credit is in the best interests of Lenders.

(b) Except with the prior written consent of Administrative Agent, no Lender may assert or exercise any enforcement right or remedy in respect of the Loans, Letters of Credit or other Obligations, as against any Borrower or Obligor or any of the Collateral or other property of any Borrower or Obligor.

11.4 **IBERIABANK in its Individual Capacity.** With respect to its Commitment and the Loans made and Letters of Credit issued or caused to be issued by it (and any successor acting as Administrative Agent), so long as IBERIABANK shall be a Lender hereunder, it shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include IBERIABANK in its individual capacity as Lender hereunder. IBERIABANK (and any successor acting as Administrative Agent) and its Affiliates may (without having to account therefor to any Lender) lend money to, make investments in and generally engage in any kind of business with Borrowers (and any of its Subsidiaries or Affiliates) as if it were not acting as Administrative Agent, and IBERIABANK and its Affiliates may accept fees and other consideration from any Borrower and any of its Subsidiaries and Affiliates for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

11.5 **Indemnification.** Lenders agree to indemnify Administrative Agent (to the extent not reimbursed by Borrowers hereunder and without limiting any obligations of Borrowers hereunder) ratably, in accordance with their Pro Rata Shares, for any and all claims of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Administrative Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other Loan Document or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including the costs and expenses that Administrative Agent is obligated to pay hereunder) or the enforcement of any of the terms hereof or thereof or of any such other documents; provided, that, no Lender shall be liable for any of the foregoing to the extent it arises from the gross negligence or willful misconduct of Administrative Agent as determined by a final non-appealable judgment of a court of competent jurisdiction. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

11.6 **Non-Reliance on Administrative Agent and Other Lenders.** Each Lender agrees that it has, independently and without reliance on Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of Borrowers and Obligor and has made its own decision to enter into this Agreement and that it will, independently and without reliance upon Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement or any of the other Loan Documents. Administrative Agent shall not be required to keep itself informed as to the performance or observance by any Borrower or Obligor of any term or provision of this Agreement or any of the other Loan Documents or any other document referred to or provided for herein or therein or to inspect the properties or books of

any Borrower or Obligor. Administrative Agent will use reasonable efforts to provide Lenders with any information received by Administrative Agent from any Borrower or Obligor which is required to be provided to Lenders hereunder or which is reasonably requested by a Lender and with a copy of any Notice of Default or Failure of Condition received by Administrative Agent from any Borrower or any Lender; provided, that, Administrative Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Administrative Agent's own gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction. Except for notices, reports and other documents expressly required to be furnished to Lenders by Administrative Agent hereunder, Administrative Agent shall not have any duty or responsibility to provide any Lender with any other credit or other information concerning the affairs, financial condition or business of any Borrower or Obligor that may come into the possession of Administrative Agent.

11.7 **Failure to Act**. Except for action expressly required of Administrative Agent hereunder and under the other Loan Documents, Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder and thereunder unless it shall receive further assurances to its satisfaction from Lenders of their indemnification obligations under **Section 11.5** hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

11.8 **Concerning the Collateral and the Related Loan Documents**. Each Secured Party authorizes and directs Administrative Agent to enter into this Agreement and the other Loan Documents. Each Secured Party agrees that any action taken by Administrative Agent or Required Lenders (or such greater percentage as may be required hereunder) in accordance with the terms of this Agreement or the other Loan Documents and the exercise by Administrative Agent or Required Lenders (or such greater percentage as may be required hereunder) of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all Secured Parties.

11.9 **Collateral Matters**.

(a) Administrative Agent may, at its option, from time to time, at any time on or after an Event of Default and for so long as the same is continuing or upon any other failure of a condition precedent to the Loans and Letters of Credit hereunder, make such disbursements and advances ("**Special Agent Advances**") which Administrative Agent, in its sole discretion: (i) deems necessary or desirable either to preserve or protect the Collateral or any portion thereof; or (ii) to enhance the likelihood or maximize the amount of repayment by Borrowers of the Loans and other Obligations; provided, that, the aggregate principal amount of the Special Administrative Agent Advances pursuant to this **clause (ii)**, plus the then outstanding principal amount of the additional Loans and Letters of Credit, shall not exceed the aggregate amount of ten percent (10%) of the Maximum Credit outstanding at any time; or (iii) to pay any other amount chargeable to any Borrower pursuant to the terms of this Agreement or any of the other Loan Documents consisting of costs, fees and expenses and payments to any Issuing Bank of Letters of Credit. Special Agent Advances shall be repayable on demand and be secured by the Collateral. Special Agent Advances shall not constitute Loans but shall otherwise constitute Obligations hereunder. Interest on Special Agent Advances shall be payable at the highest Interest Rate then applicable to any outstanding Loans and shall be payable on demand. Without limitation of its obligations pursuant to **Section 6.9**, each Lender agrees that it shall make available to Administrative Agent, upon Administrative Agent's demand, in immediately available funds, the amount equal to such Lender's Pro Rata Share of each such Special Agent Advance. If such funds are not made available to Administrative Agent by such Lender, such Lender shall be deemed a Defaulting Lender and Administrative Agent shall be entitled to recover such funds, on demand from such Lender together with interest thereon for each day from the date such payment was due until the date such amount is paid to Administrative Agent at the Federal Funds Rate for each day

during such period (as published by the Federal Reserve Bank of New York or at Administrative Agent's option based on the arithmetic mean determined by Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. EST on that day by each of the three (3) leading brokers of Federal funds transactions in New York City selected by Administrative Agent) and if such amounts are not paid within three (3) days of Administrative Agent's demand, at the highest Interest Rate provided under this Agreement applicable to Prime Rate Loans.

(b) Lenders hereby irrevocably authorize Administrative Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral: (i) upon termination of the Commitments and payment and satisfaction of all of the Obligations and delivery of cash collateral to the extent required under **Section 12.1** below; or (ii) approved, authorized or ratified in writing by all of Lenders. Except as provided above, Administrative Agent will not release any security interest in, mortgage or lien upon, any of the Collateral without the prior written authorization of all of Lenders. Upon request by Administrative Agent at any time, Lenders will promptly confirm in writing Administrative Agent's authority to release items of Collateral pursuant to this Section.

(c) Without in any manner limiting Administrative Agent's authority to act without any specific or further authorization or consent by the Required Lenders, each Lender agrees to confirm in writing, upon request by Administrative Agent, the authority to release Collateral conferred upon Administrative Agent under this Section. Administrative Agent shall (and is hereby irrevocably authorized by Lenders to) execute such documents as may be necessary to evidence the release of the security interest, mortgage or liens granted to Administrative Agent upon any Collateral to the extent set forth above; provided, that: (i) Administrative Agent shall not be required to execute any such document on terms which, in Administrative Agent's opinion, would expose Administrative Agent to liability or create any obligations or entail any consequence other than the release of such security interest, mortgage or liens without recourse or warranty; and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any security interest, mortgage or lien upon (or obligations of any Borrower in respect of) the Collateral retained by such Borrower.

(d) Administrative Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm, or assure that the Collateral exists or is owned by any Borrower or is cared for, protected or insured or has been encumbered, or that any particular items of Collateral meet the eligibility criteria applicable in respect of the Loans or Letters of Credit hereunder, or whether any particular reserves are appropriate, or that the liens and security interests granted to Administrative Agent pursuant hereto or any of the Loan Documents or otherwise have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty or care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Administrative Agent in this Agreement or in any of the other Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Administrative Agent may act in any manner it may deem appropriate in its discretion, given Administrative Agent's own interest in the Collateral as a Lender and that Administrative Agent shall have no duty or liability whatsoever to any other Lender.

11.10 **Agency for Perfection.** Each Lender hereby appoints Administrative Agent and each other Lender as agent and bailee for the purpose of perfecting the security interests in and liens upon the Collateral of Administrative Agent in assets which, in accordance with **Article 9** of the UCC can be perfected only by possession (or where the security interest of a secured party with possession has priority over the security interest of another secured party) and Administrative Agent and each Lender hereby acknowledges that it holds possession of any such Collateral for the benefit of Administrative Agent as secured party. Should any Lender obtain possession of any such Collateral, such Lender shall notify

Administrative Agent thereof, and, promptly upon Administrative Agent's request therefor shall deliver such Collateral to Administrative Agent or in accordance with Administrative Agent's instructions.

11.11 **Successor Administrative Agent.** Administrative Agent may resign as Administrative Agent upon thirty (30) days' notice to Lenders and Parent. If Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for Lenders. If no successor agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Parent, a successor agent from among Lenders. Upon the acceptance by the Lender so selected of its appointment as successor agent hereunder, such successor agent shall succeed to all of the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" as used herein and in the other Loan Documents shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this **Section 11** shall inure to its benefit as to any actions taken or omitted by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is thirty (30) days after the date of a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nonetheless thereupon become effective and Lenders shall perform all of the duties of Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

11.12 **Other Administrative Agent Designations.** Administrative Agent may at any time and from time to time determine that a Lender may, in addition, be a "Co-Administrative Agent", "Syndication Administrative Agent", "Documentation Administrative Agent" or similar designation hereunder and enter into an agreement with such Lender to have it so identified for purposes of this Agreement. Any such designation shall effective upon written notice by Administrative Agent to Borrower Agent of any such designation. Any Lender that is so designated as a Co-Administrative Agent, Syndication Administrative Agent, Documentation Administrative Agent or such similar designation by Administrative Agent shall have no right, power, obligation, liability, responsibility or duty under this Agreement or any of the other Loan Documents other than those applicable to all Lenders as such. Without limiting the foregoing, the Lenders so identified shall not have or be deemed to have any fiduciary relationship with any Lender and no Lender shall be deemed to have relied, nor shall any Lender rely, on a Lender so identified as a Co-Administrative Agent, Syndication Administrative Agent, Documentation Administrative Agent or such similar designation in deciding to enter into this Agreement or in taking or not taking action hereunder.

11.13 **Credit Bids.** Lenders hereby irrevocably authorize the Administrative Agent, with the consent of the Required Lenders, to submit a bid at a public or private sale in connection with the purchase of all or any portion of the Collateral, in which any of the Obligations may be used and applied as a credit on account of the purchase price (a "**credit bid**") and purchase at any such sale (either directly or through one or more entities established for such purpose) all or any portion of the Collateral on behalf of and for the benefit of the Lenders (but not as agent for any individual Lender or Lenders, unless the Required Lenders shall otherwise agree in writing). Each Lender agrees that, except with the written consent of the Administrative Agent and the Required Lenders, it will not exercise any right that it might otherwise have to credit bid at any sales of all or any portion of the Collateral conducted under the provisions of the UCC or the Bankruptcy Code, foreclosure sales or other similar dispositions of Collateral



## **SECTION 12. TERM OF AGREEMENT; MISCELLANEOUS**

### **12.1 Term.**

(a) This Agreement and the other Loan Documents shall become effective as of the Closing Date and shall continue in full force and effect for a term ending on the Initial Maturity Date, unless sooner terminated pursuant to the terms hereof or unless extended for an Extension Option.

(b) Upon any effective date of termination of the Loan Documents (including the Maturity Date), Borrowers shall pay to Administrative Agent all outstanding and unpaid Obligations and shall furnish cash collateral to Administrative Agent (or at Administrative Agent's option, a letter of credit issued for the account of Borrowers and at Borrowers' expense, in form and substance satisfactory to Administrative Agent, by an issuer acceptable to Administrative Agent and payable to Administrative Agent as beneficiary) in such amounts as Administrative Agent determines are reasonably necessary to secure Administrative Agent, Lenders and Issuing Bank from loss, cost, damage or expense, including attorneys' fees and expenses, in connection with any contingent Obligations, including issued and outstanding Letters of Credit and checks or other payments provisionally credited to the Obligations and/or as to which Administrative Agent or any Lender has not yet received final and indefeasible payment and for any of the Obligations arising under or in connection with any Bank Products in such amounts as Bank Product Providers providing such Bank Product may require (unless such Obligations arising under or in connection with any Bank Products are paid in full in cash and terminated in a manner satisfactory to such Bank Product Provider). Interest shall be due until and including the next Business Day, if the amounts so paid by Borrowers to Administrative Agent are received later than 12:00 p.m. EST.

(c) No termination of this Agreement or the other Loan Documents shall relieve or discharge any Borrower of its respective duties, obligations and covenants under this Agreement or the other Loan Documents until all Obligations have been fully and finally discharged and paid, and Administrative Agent's continuing security interest in the Collateral and the rights and remedies of Administrative Agent and Lenders hereunder, under the other Loan Documents and applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid. Accordingly, each Borrower waives any rights it may have under the UCC to demand the filing of termination statements with respect to the Collateral and Administrative Agent shall not be required to send such termination statements to Borrowers, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations paid and satisfied in full in immediately available funds.

### **12.2 Interpretative Provisions.**

(a) All terms used herein which are defined in **Article 1**, **Article 8** or **Article 9** of the UCC shall have the meanings given therein unless otherwise defined in this Agreement.

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.

(c) All references to any Borrower, Administrative Agent and Lenders pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

(d) The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any

particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(e) The word "including" when used in this Agreement shall mean "including, without limitation".

(f) An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with **Section 11.3** or is cured in a manner satisfactory to Administrative Agent, if such Event of Default is capable of being cured as reasonably determined by Administrative Agent.

(g) All references to the term "good faith" used herein when applicable to Administrative Agent or any Lender shall mean, notwithstanding anything to the contrary contained herein or in the UCC, honesty in fact in the conduct or transaction concerned.

(h) Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the financial statements of Parent most recently received by Administrative Agent prior to the date hereof.

(i) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

(j) All references to the term "knowledge" used herein when applicable to any Borrower shall mean the actual knowledge of any officer or director of a Borrower or constructive knowledge of such facts that such person should have known in the course of the performance of their respective duties on behalf of a Borrower but without requiring specific inquiries as to the applicable circumstances as to a representation or warranty set forth herein each time such representation or warranty is made or deemed made hereunder.

(k) Unless otherwise expressly provided herein: (i) references herein to any agreement, document or instrument shall be deemed to include all subsequent amendments, modifications, supplements, extensions, renewals, restatements or replacements with respect thereto, but only to the extent the same are not prohibited by the terms hereof or of any other Loan Document; and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, recodifying, supplementing or interpreting the statute or regulation.

(l) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(m) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(n) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to Administrative Agent and the other parties, and are the products of all parties. Accordingly, this Agreement and the other Loan Documents shall not be

construed against Administrative Agent or Lenders merely because of Administrative Agent's or any Lender's involvement in their preparation.

12.3 **Notices.** All notices, requests and demands hereunder shall be in writing and deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to any Borrower: c/o BBX Capital Corporation  
401 East Las Olas Boulevard  
Suite 800  
Fort Lauderdale, Florida 33301  
Attention: Raymond S. Lopez  
Telephone: (954) 940-4925  
Facsimile: (954) 940-4970  
E-Mail: rlopez@bbxcapital.com

With a copy to: Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A.  
150 West Flagler Drive  
Suite 2200  
Miami, Florida 33130  
Attention: Alison W. Miller, Esq.  
Telephone: (305) 789-3500  
Facsimile: (305) 789 -2642  
E-Mail: amiller@stearnsweaver.com

If to Administrative Agent: IBERIABANK  
11 East Greenway Plaza  
Suite 2700  
Houston, Texas 77046  
Attention: Jose Gonzalez/Laura McPhail  
Telephone: (713) 624-7732/(713) 624-7763  
Facsimile: (713) 624-7770  
E-Mail: Clo-houston@iberiabank.com

and

IBERIABANK  
900 SE 6th Avenue  
Delray Beach, Florida 33483  
Attention: J. Scott McCleneghen, Executive Vice President  
Telephone: (561) 279-8145  
Facsimile: (561) 279-8115  
E-Mail: scott.mccleneghen@iberiabank.com

With a copy to:

Broad and Cassel LLP  
One North Clematis Street  
Suite 500  
West Palm Beach, Florida 33401  
Attention: Carl V. Romano, Esq.  
Telephone: (561) 832-3300  
Facsimile: (561) 655-1109  
E-Mail: cromano@broadandcassel.com

12.4 **Partial Invalidity.** If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

12.5 **Confidentiality.**

(a) Administrative Agent and each Lender shall use all reasonable efforts to keep confidential, in accordance with its customary procedures for handling confidential information and safe and sound lending practices, any non-public information supplied to it by any Borrower pursuant to this Agreement which is clearly and conspicuously marked as confidential at the time such information is furnished by such Borrower to Administrative Agent or such Lender; provided, that, nothing contained herein shall limit the disclosure of any such information: (i) to the extent required by statute, rule, regulation, subpoena or court order; (ii) to bank examiners and other regulators, auditors and/or accountants, in connection with any litigation to which Administrative Agent or such Lender is a party; (iii) to any Lender or Participant (or prospective Lender or Participant) or to any Affiliate of any Lender so long as such Lender or Participant (or prospective Lender or Participant) or Affiliate shall have been instructed to treat such information as confidential in accordance with this **Section 12.5**; or (iv) to counsel for Administrative Agent or any Lender or Participant (or prospective Lender or Participant).

(b) In the event that Administrative Agent or any Lender receives a request or demand to disclose any confidential information pursuant to any subpoena or court order, Administrative Agent or such Lender, as the case may be, agrees: (i) to the extent permitted by applicable law or if permitted by applicable law, to the extent Administrative Agent or such Lender determines in good faith that it will not create any risk of liability to Administrative Agent or such Lender, Administrative Agent or such Lender will promptly notify Borrower Agent of such request so that Borrower Agent may seek a protective order or other appropriate relief or remedy; and (ii) if disclosure of such information is required, disclose such information and, subject to reimbursement- by Borrowers of Administrative Agent's or such Lender's expenses, cooperate with Borrower Agent in the reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the disclosed information which Borrower Agent so designates, to the extent permitted by applicable law or if permitted by applicable law, to the extent Administrative Agent or such Lender determines in good faith that it will not create any risk of liability to Administrative Agent or such Lender.

(c) In no event shall this **Section 12.5** or any other provision of this Agreement, any of the other Loan Documents or applicable law be deemed: (i) to apply to or restrict disclosure of information that has been or is made public by any Borrower or any third party or otherwise becomes generally available to the public other than as a result of a disclosure in violation hereof; (ii) to apply to or restrict disclosure of information that was or becomes available to Administrative Agent or any Lender (or any Affiliate of any Lender) on a non-confidential basis from a person other than a Borrower;

and (iii) to require Administrative Agent or any Lender to return any materials furnished by a Borrower to Administrative Agent or a Lender or prevent Administrative Agent or a Lender from responding to routine informational requests in accordance with the Code of Ethics for the Exchange of Credit Information promulgated by The Robert Morris Associates or other applicable industry standards relating to the exchange of credit information. The obligations of Administrative Agent and Lenders under this **Section 12.5** shall supersede and replace the obligations of Administrative Agent and Lenders under any confidentiality letter signed prior to the date hereof.

12.6 **Successors.** This Agreement, the other Loan Documents and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Administrative Agent, Lenders, Borrowers and their respective successors and assigns; except, that, Borrower may not assign its rights under this Agreement, the other Loan Documents and any other document referred to herein or therein without the prior written consent of Administrative Agent and Lenders. Any such purported assignment without such express prior written consent shall be void. No Lender may assign its rights and obligations under this Agreement without the prior written consent of Administrative Agent, except as provided in **Section 12.7** below. The terms and provisions of this Agreement and the other Loan Documents are for the purpose of defining the relative rights and obligations of Borrowers, Administrative Agent and Lenders with respect to the transactions contemplated hereby and there shall be no third-party beneficiaries of any of the terms and provisions of this Agreement or any of the other Loan Documents.

#### 12.7 **Assignments; Participations.**

(a) Each Lender may, with the prior written consent of Administrative Agent, assign all or, if less than all, a portion equal to at least \$5,000,000.00 in the aggregate for the assigning Lender, of such rights and obligations under this Agreement to one or more Eligible Transferees (but not including for this purpose any assignments in the form of a participation), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Acceptance; provided, that: (i) such transfer or assignment will not be effective until recorded by Administrative Agent on the Register; and (ii) Administrative Agent shall have received for its sole account payment of a processing fee from the assigning Lender or the assignee in such amount as required by Administrative Agent.

(b) Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrowers, shall maintain a register of the names and addresses of Lenders, their Commitments and the principal amounts and stated interest of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "**Register**"). Administrative Agent shall also maintain a copy of each Assignment and Acceptance delivered to and accepted by it and shall modify the Register to give effect to each Assignment and Acceptance. The entries in the Register shall be conclusive and binding for all purposes, absent, manifest error, and any Borrowers, Obligors, Administrative Agent and Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and to the other Loan Documents and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations (including, without limitation, the obligation to participate in any Letters of Credit) of a Lender hereunder and thereunder and the assigning Lender shall, to the extent that rights and obligations hereunder have been

assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement.

(d) By execution and delivery of an Assignment and Acceptance, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, the assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any of the other Loan Documents or the execution, legality, enforceability, genuineness, sufficiency or value of this Agreement or any of the other Loan Documents furnished pursuant hereto; (ii) the assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower, Obligor or any of their Subsidiaries or the performance or observance by any Borrower or Obligor of any of the Obligations; (iii) such assignee confirms that it has received a copy of this Agreement and the other Loan Documents, together with such other documents and information it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the assigning Lender, Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents; (v) such assignee appoints and authorizes Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Loan Documents are required to be performed by it as a Lender. Administrative Agent and Lenders may furnish any information concerning any Borrower or Obligor in the possession of Administrative Agent or any Lender from time to time to assignees and Participants.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of its Commitments and the Loans owing to it and its participation in any Letters of Credit, without the consent of Administrative Agent or the other Lenders); provided, that: (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) and the other Loan Documents shall remain unchanged; (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and Borrowers, the other Lenders and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents; and (iii) the Participant shall not have any rights under this Agreement or any of the other Loan Documents (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by any Borrower or Obligor hereunder shall be determined as if such Lender had not sold such participation,

(f) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lenders from such Federal Reserve Bank.

(g) Borrowers shall assist Administrative Agent or any Lender permitted to sell assignments or participations under this **Section 12.7** in whatever manner reasonably necessary in order to enable or effect any such assignment or participation, including (but not limited to) the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested

and the delivery of informational materials, appraisals or other documents for, and the participation of relevant management in meetings and conference calls with, potential Lenders or Participants.

(h) If a Lender: (i) fails to give its consent to any amendment, waiver or action for which consent of all Lenders was required and Required Lenders consented; or (ii) is a Defaulting Lender; or (iii) delivers a notice pursuant to **Section 3.5(c)** hereof or requests compensation under **Section 3.5(a)** or **3.5(f)** hereof, or if any Borrower is required to pay additional amounts or to make indemnity payments with respect to any Lender pursuant to **Section 6.3** hereof, then, in addition to any other rights and remedies that any Person may have, the Administrative Agent or Borrower Agent may, by notice to such Lender within one hundred twenty (120) days after such event, require such Lender to assign all of its rights and obligations under the Loan Documents to one or more Eligible Transferees, pursuant to appropriate Assignment and Acceptances, within twenty (20) days after the notice. The Administrative Agent is irrevocably appointed as attorney-in-fact to execute any such Assignment and Acceptance if the Lender fails to execute it. Such Lender shall be entitled to receive, in cash, concurrently with such assignment, all amounts owed to it under the Loan Documents at par, including all principal, interest and fees through the date of assignment (but excluding any prepayment charge).

12.8 **Entire Agreement.** This Agreement, the other Loan Documents, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

12.9 **Counterparts, Etc.** This Agreement or any of the other Loan Documents may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement or any of the other Loan Documents by facsimile or other electronic means shall have the same force and effect as the delivery of an original executed counterpart of this Agreement or any of such other Loan Documents. Any party delivering an executed counterpart of any such agreement by facsimile or other electronic means shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of such agreement.

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**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the parties have caused these present to be duly executed as of the day and year first above written:

**BORROWER:**

**BBX CAPITAL CORPORATION**, a Florida corporation

By: Raymond S. Lopez, Executive Vice President and Chief Financial Officer

**BORROWER:**

**FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC**, a Florida limited liability company

By: Raymond S. Lopez, Chief Financial Officer

**BORROWER:**

**BBX CAPITAL FLORIDA LLC**, a Florida limited liability company

By: Raymond S. Lopez, Chief Financial Officer

**BORROWER:**

**WOODBRIIDGE HOLDINGS, LLC**, a Florida limited liability company

By: Raymond S. Lopez, Chief Financial Officer and Treasurer

**BORROWER:**

**BBX SWEET HOLDINGS, LLC**, a Florida limited liability company

By: Raymond S. Lopez, Chief Financial Officer

**AS ADMINISTRATIVE AGENT AND A LENDER:**

**IBERIABANK**, a Louisiana state-chartered bank

By: J. Scott McCleneghen  
Executive Vice President

**LENDER:**

**CITY NATIONAL BANK OF FLORIDA**, a national banking association

By:  
Print Name:  
Title:



EXHIBIT A

ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") is dated as of \_\_\_\_\_, 2018 is made between (the "Assignor") and \_\_\_\_\_ (the "Assignee").

WITNESSETH:

WHEREAS, IBERIABANK, a Louisiana state-chartered bank, in its capacity as Administrative Agent pursuant to the Loan Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "Administrative Agent"), and the parties to the Loan Agreement as lenders (individually, each a "Lender" and collectively, "Lenders") have entered or are about to enter into financing arrangements pursuant to which Administrative Agent and Lenders may make loans and advances and provide other financial accommodations to BBX CAPITAL CORPORATION, a Florida corporation, FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC, a Florida limited liability company, BBX CAPITAL FLORIDA LLC, a Florida limited liability company, WOODBRIDGE HOLDINGS, LLC, a Florida limited liability company and BBX SWEET HOLDINGS, LLC, a Florida limited liability company (each individually "Borrower" and collectively, "Borrowers"), as set forth in the Loan and Security Agreement, dated March 6, 2018, by and among Borrowers, certain of their affiliates, Administrative Agent and Lenders (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement"), and the other agreements, documents and instruments referred to therein or at any time executed and "or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Loan Documents"); and

WHEREAS, as provided under the Loan Agreement, Assignor committed to making Loans (the "Committed Loans") to Borrowers in an aggregate amount not to exceed the principal amount of \$ \_\_\_\_\_ at any time outstanding (the "Commitment"); and

WHEREAS, Assignor wishes to assign to Assignee a portion of rights and obligations of Assignor under the Loan Agreement in respect of its Commitment in an amount equal to \$ \_\_\_\_\_ (the "Assigned Commitment Amount") on the terms and subject to the conditions set forth herein and Assignee wishes to accept assignment of such rights and to assume such obligations from Assignor on such terms and subject to such conditions.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, Assignor hereby sells, transfers and assigns to Assignee, and Assignee hereby purchases, assumes and undertakes from Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Acceptance) an interest in: (i) the Commitment and each of the Committed Loans of Assignor; and (ii) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under

and in connection with the Loan Agreement and the other Loan Documents, so that after giving effect thereto, the Commitment of Assignee shall be as set forth below and the Pro Rata Share of Assignee shall be \_\_\_\_\_ percent (\_\_\_%).

(b) With effect on and after the Effective Date (as defined in **Section 5** hereof), Assignee shall be a party to the Loan Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Loan Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Commitment Amount. Assignee agrees that it will perform in accordance with their terms of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Commitment: Amount and Assignor shall relinquish its rights and be released from its obligations under the Loan Agreement to the extent such obligations have been assumed by Assignee; provided, that, Assignor shall not relinquish its rights under **Sections 2.1, 6.3** and **6.8** of the Loan Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignee's Commitment will be \$\_\_\_\_\_.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date Assignor's Commitment will be \$\_\_\_\_\_ (as such amount may be further reduced by any other assignments by Assignor on or after the date hereof).

2. **Payments.** As consideration for the sale, assignment and transfer contemplated in **Section 1** hereof, Assignee shall pay to Assignor on the Effective Date in immediately available funds an amount equal to \$\_\_\_\_\_, representing Assignee's Pro Rata Share-of the principal amount of all Committed Loans. Assignee shall pay to Administrative Agent the processing fee in the amount specified in **Section 12.7(a)** of the Loan Agreement.

3. **Reallocation of Payments.** Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment, Committed Loans and outstanding Letters of Credit shall be for the account of Assignor. Any interest fees and other payments accrued on and after the Effective Date with respect to the Assigned Commitment Amount shall be for the account of Assignee. Each of Assignor and Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. **Independent Credit Decision.** Assignee acknowledges that it has received a copy of the Loan Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of Parent and its Subsidiaries, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance and agrees that it will, independently and without reliance upon Assignor, Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Loan Agreement.

4. **Effective Date; Notices.** As between Assignor and Assignee, the effective date for this Assignment and Acceptance shall be \_\_\_\_\_, 20\_\_ (the "**Effective Date**"); provided, that, the following conditions precedent have been satisfied on or before the Effective Date:

(a) this Assignment and Acceptance shall be executed and delivered by Assignor and Assignee;

(b) the consent of Administrative Agent as required (and the Borrower Agent to the extent as may be required pursuant to **Section 1.33(d)** of the Loan Agreement) for an effective assignment of the Assigned Commitment Amount by Assignor to Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(c) written notice of such assignment, together with payment instructions, addresses and related information with respect to Assignee, shall have been given to Borrower Agent and Administrative Agent;

(d) Assignee shall pay to Assignor all amounts due to Assignor under this Assignment and Acceptance; and

(e) the processing fee referred to in **Section 2** hereof shall have been paid to Administrative Agent.

Promptly following the execution of this Assignment and Acceptance, Assignor shall deliver to Borrower Agent and Administrative Agent for acknowledgment by Administrative Agent, a Notice of Assignment in the form attached hereto as **Schedule 1**.

5. **Administrative Agent.** Assignee hereby appoints and authorizes Assignor in its capacity as Administrative Agent to take such action as agent on its behalf to exercise such powers under the Loan Agreement as are delegated to Administrative Agent by Lenders pursuant to the terms of the Loan Agreement. Assignee shall assume no duties or obligations held by Assignor in its capacity as Administrative Agent under the Loan Agreement.

6. **Withholding Tax.** Assignee: (a) represents and warrants to Assignor, Administrative Agent and Borrowers that under applicable law and treaties no tax will be required to be withheld by Assignee, Administrative Agent or Borrowers with respect to any payments to be made to Assignee hereunder or under any of the Loan Documents; (b) agrees to furnish to Administrative Agent and Borrowers prior to the time that Administrative Agent or Borrowers are required to make any payment of principal, interest or fees hereunder, the forms certificates and other information described in **Section 6.12(d)** of the Loan Agreement; and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

7. **Representations and Warranties.**

(a) Assignor represents and warrants that: (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any security interest, lieu, encumbrance or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding

obligation of Assignor, enforceable against Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles. Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto. Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of Borrowers, or any of their respective Affiliates, or the performance or observance by Borrowers or any other Person, of any of its respective obligations under the Loan Agreement or any other instrument or document furnished in connection therewith.

(b) Assignee represents and warrants that: (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals by any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any agreements or undertakings or filings required by the Loan Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of Assignee, enforceable against Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

8. **Further Assurances.** Assignor and Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or instruments to Borrowers or Administrative Agent, which may be required in connection with the assignment and assumption contemplated hereby.

9. **Miscellaneous.**

(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other for further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) Assignor and Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) **THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF FLORIDA.**

Assignor and Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in Palm Beach County, Florida over any suit, action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Florida State or Federal court. Each party to this Assignment and Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

**(f) ASSIGNOR AND ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE LOAN AGREEMENT, ANY OF THE OTHER FINANCING, AGREEMENTS OR ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).**

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**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

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**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**  
4833-7494-6387.12  
45083/0017  
03/02/2018

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**IN WITNESS WHEREOF**, Assignor and Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

**ASSIGNOR:**

**IBERIABANK**, a Louisiana state-chartered bank, as  
Administrative Agent and a Lender

By:  
Print Name:  
Title:

**ASSIGNEE:**

By:  
Print Name:  
Title:

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**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**

4833-7494-6387.12  
45083/0017  
03/02/2018

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**SCHEDULE I**

**NOTICE OF ASSIGNMENT AND ACCEPTANCE**

\_\_\_\_\_, 20\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Re: Senior Secured Revolving Credit Facility in the amount of \$50,000,000.00

Ladies and Gentlemen:

**IBERIABANK**, a Louisiana state-chartered bank, in its capacity as administrative agent pursuant to the Loan Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "**Administrative Agent**"), and the parties to the Loan Agreement as lenders (individually, each a "**Lender**" and collectively, "**Lenders**") have entered or are about to enter into financing arrangements pursuant to which Administrative Agent and Lenders may make Loans and advances and provide other financial accommodations to **BBX CAPITAL CORPORATION**, a Florida corporation, **FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC**, a Florida limited liability company, **BBX CAPITAL FLORIDA LLC**, a Florida limited liability company, **WOODBRIIDGE HOLDINGS, LLC**, a Florida limited liability company and **BBX SWEET HOLDINGS, LLC**, a Florida limited liability company (each individually "**Borrower**" and collectively, "**Borrowers**"), as set forth in the Loan and Security Agreement, dated March 6, 2018, by and among Borrowers, certain of their affiliates, Administrative Agent and Lenders (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "**Loan Agreement**") and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "**Loan Documents**"). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

We hereby give you notice of, and request your consent to, the assignment by **IBERIABANK**, a Louisiana state-chartered bank (the "**Assignor**") to \_\_\_\_\_ (the "**Assignee**") such that after giving effect to the assignment Assignee shall have an interest equal to \_\_\_\_\_ percent (\_\_\_%) of the total Commitments pursuant to the Assignment and Acceptance Agreement attached hereto (the "**Assignment and Acceptance**"). We understand that the Assignor's Commitment shall be reduced by \$ \_\_\_\_\_ as the same may be further reduced by other assignments on or after the date hereof.

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Assignee agrees that, upon receiving the consent of Administrative Agent to such assignment. Assignee will be bound by the terms of the Loan Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest under the Loan Agreement.

The following administrative details apply to Assignee:

(A) Notice address:

Assignee name

Address:

Attention:

Telephone:

Telecopier:

(B) Payment instructions:

Account No.:

At:

Reference:

Attention:

You are entitled to rely upon the representations, warranties and covenants of each of Assignor and Assignee contained in the Assignment and Acceptance.

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**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

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**IN WITNESS WHEREOF**, Assignor and Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

**ASSIGNOR:**

**IBERIABANK**, a Louisiana state-chartered bank, as  
Administrative Agent and a Lender

By:  
Print Name:  
Title:

**ASSIGNEE:**

By:  
Print Name:  
Title:

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**EXHIBIT B  
TO**

**LOAN AND SECURITY AGREEMENT**

**Compliance Certificate**

**To: IBERIABANK, as Administrative Agent**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For the *[Quarterly/Yearly]* Period Ending: \_\_\_\_\_

Ladies and Gentlemen:

Reference is hereby made to the Loan and Security Agreement dated as of March 6, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), by and among **BBX CAPITAL CORPORATION**, a Florida corporation, **FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC**, a Florida limited liability company, **BBX CAPITAL FLORIDA LLC**, a Florida limited liability company, **WOODBIDGE HOLDINGS, LLC**, a Florida limited liability company and **BBX SWEET HOLDINGS, LLC**, a Florida limited liability company (each a "**Borrower**" and collectively, "**Borrowers**") and **IBERIABANK**, a Louisiana state-chartered bank, in its capacity as agent acting for and on behalf of the parties to this Agreement as lenders (in such capacity, "**Administrative Agent**"), the parties to this Agreement as lenders (individually a "**Lender**" and collectively, "**Lenders**"). Capitalized terms used herein without definition shall have the meanings set forth in the Loan Agreement.

The undersigned hereby certifies as of the date hereof that he/she is the Chief Financial Officer of each of the Borrowers, and that, as such, he/she is authorized to execute and deliver this Compliance Certificate (this "**Certificate**") to Administrative Agent and the Lenders on the behalf of the Borrowers, and that:

1. Borrowers have delivered the financial information required by **Section 8.5(a)** of the Loan Agreement for the fiscal quarter and/or year (as the case may be) of the Borrowers ended as of the above date. Such financial information is true and correct in all material respects and fairly presents the financial condition and results of operations of the Borrowers (in accordance with standard accounting principles consistently applied) as at such date and for such period.
2. The calculations (as applicable) set forth in **Annex 1** are computations of: (i) the Fixed Charge Coverage Ratio for the purposes of **Section 8.14**; (ii) the Senior Funded Debt to EBITDA for the purposes of **Section 8.15**; and (iii) the Unencumbered Liquidity for the purposes of **Section 8.16**, and are true and accurate in all respects on and as of the date of this Certificate.
3. Based upon a review of the activities of Borrowers and the calculations attached hereto during the period covered thereby, as of the date hereof, [there exists no Default or Event of Default][a Default or Event of Default as specified below]:

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and Borrowers [have taken][propose to take] the following actions with respect thereto:

4. Further based upon a review of the activities of Borrowers and other pertinent information, [there currently exists no matter described in **Section 8.5(b)** of the Loan Agreement][Borrowers hereby provide notice to Administrative Agent and the Lenders of the following events, as required pursuant to **Section 8.5(b)** of the Loan Agreement]:

*[if applicable, describe matter(s) disclosed; otherwise, state N/A]*

**BORROWER:**

**BBX CAPITAL CORPORATION**, a Florida corporation

**BORROWER:**

**FOOD FOR THOUGHT RESTAURANT GROUP-FLORIDA, LLC**, a Florida limited liability company

By:

Raymond S. Lopez, Executive Vice President and Chief Financial Officer

By:

Raymond S. Lopez, Chief Financial Officer

**BORROWER:**

**BBX CAPITAL FLORIDA LLC**, a Florida limited liability company

**BORROWER:**

**WOODBIDGE HOLDINGS, LLC**, a Florida limited liability company

By:

Raymond S. Lopez, Chief Financial Officer

By:

Raymond S. Lopez, Chief Financial Officer and Treasurer

**BORROWER:**

**BBX SWEET HOLDINGS, LLC**, a Florida limited liability company

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By:

Raymond S. Lopez, Chief Financial Officer

ANNEX 1

**Calculations of Financial Covenant(s)**

[Attached]

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**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
4833-7494-6387.12  
45083/0017

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**EXHIBIT C  
TO  
LOAN AND SECURITY AGREEMENT**

**Form of Draw Request**

c/o BBX Capital Corporation  
401 East Las Olas Boulevard  
Suite 800  
Fort Lauderdale, Florida 33301  
Attn: Ray Lopez  
("Borrower")

IBERIABANK, as Administrative Agent  
11 East Greenway Plaza, Suite 2700  
Houston, Texas 77046  
Attention: Commercial Loan Operations

Borrower hereby requests an Advance in the amount of \$\_\_\_\_\_ (broken down as follows) pursuant to that certain Loan and Security Agreement by and among Borrower and Lenders dated March 6, 2018 (as amended, restated or otherwise modified from time to time, the "Loan Agreement"). The proposed date of the Advance is \_\_\_\_\_.

\$ _____	General Purposes
\$ _____	Letter of Credit Purposes
\$ _____	Business Acquisition Purposes
\$ _____	Real Estate Investment Purposes
\$ _____	Stock Buy-Back Purposes
\$ _____	<b>Total Advance Request</b>

Borrowers hereby represent and warrant to Lender as follows:

- (a) There exists no Default or Event of Default under the Loan Agreement.
- (b) All representations, warranties and covenants made in the Loan Agreement are true and correct as of the date hereof.
- (c) The aggregate principal amount of all Advances outstanding under the Revolving Credit, giving effect to the request herein, are \$\_\_\_\_\_.

**[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]**

**[SIGNATURE APPEARS ON FOLLOWING PAGE]**

**BORROWER:**

**BBX CAPITAL CORPORATION**, a Florida corporation

Dated: \_\_\_\_\_, 20\_\_

By: \_\_\_\_\_  
Raymond S. Lopez, EVP and CFO

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**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**  
4833-7494-6387.12  
45083/0017

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**EXHIBIT D  
TO  
LOAN AND SECURITY AGREEMENT  
Form of Membership Interest Certificate**

<i>CERTIFICATE No. 001</i>	8,000 UNITS		
 <b>LIMITED LIABILITY COMPANY MEMBERSHIP UNIT CERTIFICATE</b>  <b>WOODBRIIDGE HOLDINGS, LLC</b> <i>A FLORIDA LIMITED LIABILITY COMPANY</i>			
<p>THIS CERTIFIES THAT <b>BBX CAPITAL CORPORATION</b>, A FLORIDA CORPORATION, IS THE OWNER OF 8,000 UNITS REPRESENTING LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS IN <b>WOODBRIIDGE HOLDINGS, LLC</b>, A FLORIDA LIMITED LIABILITY COMPANY (THE "COMPANY"). THE UNITS REPRESENTED BY THIS CERTIFICATE ARE ISSUED, ACCEPTED AND HELD SUBJECT TO THE TERMS OF THE SECOND AMENDED AND RESTATED OPERATING AGREEMENT OF THE COMPANY DATED JANUARY 1, 2017, AS IT MAY BE AMENDED AND/OR AMENDED AND RESTATED FROM TIME TO TIME.</p> <p>IN WITNESS WHEREOF, THE COMPANY HAS CAUSED THIS CERTIFICATE TO BE EXECUTED BY THE SIGNATURES OF ITS DULY AUTHORIZED OFFICERS.</p> <p>Dated: _____, 2018</p> <table style="width: 100%;"><tr><td style="width: 50%;"><p>_____ Name: Title: <b>President</b></p></td><td style="width: 50%;"><p>_____ Name: Title: <b>Secretary</b></p></td></tr></table>		<p>_____ Name: Title: <b>President</b></p>	<p>_____ Name: Title: <b>Secretary</b></p>
<p>_____ Name: Title: <b>President</b></p>	<p>_____ Name: Title: <b>Secretary</b></p>		

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FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer onto \_\_\_\_\_, the Units of limited liability company interests in the within named Company represented by the within Certificate, and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer the said securities on the books of the within named Company with full power of substitution in the premises.

Dated as of \_\_\_\_\_

#6346252 v2

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**SCHEDULE 7.2**

**Name, State of Organization; Chief Executive Office**

<b><u>Exact Legal Name:</u></b>	<b>BBX Capital Corporation</b>
Previous Names (within past 5 years): Prior Transactions (within past 5 years):	BFC Financial Corporation Effective as of December 15, 2016, BBX Capital Corporation, a Florida corporation, merged with and into BBX Capital Florida LLC (formerly known as BBX Merger Subsidiary LLC), a Florida limited liability company and wholly owned subsidiary of BFC Financial Corporation, with BBX Capital Florida LLC being the surviving entity. BBX Capital Corporation acquired Renin Holdings, LLC in October 2013.
Jurisdiction of Organization: Type of Entity: FEIN: Chief Executive Office:	Florida Corporation 59-2022148 401 East Las Olas Blvd, Suite 800 Fort Lauderdale, FL 33301
<b><u>Exact Legal Name:</u></b>	<b>Food For Thought Restaurant Group-Florida, LLC</b>
Previous Names (within past 5 years): Prior Transactions (within past 5 years): Jurisdiction of Organization: Type of Entity: FEIN: Chief Executive Office:	None None Florida Limited Liability Company 81-3882265 401 East Las Olas Blvd, Suite 800 Fort Lauderdale, FL 33301

Schedule 7.2-1

<b>Exact Legal Name:</b>	<b>BBX Capital Florida LLC</b>
Previous Names (within past 5 years): Prior Transactions (within past 5 years):	BBX Merger Subsidiary LLC and BBX Capital LLC Effective as of December 15, 2016, BBX Capital Corporation, a Florida corporation, merged with and into BBX Merger Subsidiary LLC, a Florida limited liability company and wholly owned subsidiary of BFC Financial Corporation, with BBX Merger Subsidiary LLC being the surviving entity.
Jurisdiction of Organization:	Florida
Type of Entity:	Limited Liability Company
FEIN:	N/A
Chief Executive Office:	401 East Las Olas Blvd, Suite 800 Fort Lauderdale, FL 33301
<b>Exact Legal Name:</b>	<b>Woodbridge Holdings, LLC</b>
Previous Names (within past 5 years): Prior Transactions (within past 5 years):	None None
Jurisdiction of Organization:	Florida
Type of Entity:	Limited Liability Company
FEIN:	80-0478887
Chief Executive Office:	401 East Las Olas Blvd, Suite 800 Fort Lauderdale, FL 33301
<b>Exact Legal Name:</b>	<b>BBX Sweet Holdings, LLC</b>
Previous Names (within past 5 years): Prior Transactions (within past 5 years):	BBX Acquisition Sub, LLC On June 16, 2017, BBX Sweet Holdings, LLC, indirectly through a newly formed acquisition subsidiary, acquired 93% of IT'SUGAR, LLC's membership interests.
Jurisdiction of Organization:	Florida
Type of Entity:	Limited Liability Company
FEIN:	N/A
Chief Executive Office:	401 East Las Olas Blvd, Suite 800 Fort Lauderdale, FL 33301

Schedule 7.2-2

## SCHEDULE 7.6

### Litigation

See Item 1, Note 10 of BBX Capital Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ending on September 30, 2017, filed on November 6, 2017.

Schedule 7.6-1

**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
4833-7494-6387.12  
45083.0017

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**SCHEDULE 7.8**

**Environmental Compliance**

NONE

Schedule 7.8-1

**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**

4833-7494-6387.12  
45083/0017

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**SCHEDULE 7.10**

**Bank Accounts**

BBX Sweet Holdings, LLC	Checking Account	PNC
BBX Capital Corporation	Checking Account	PNC
Woodbridge Holdings LLC	Checking Account	PNC
BBX Capital Corporation	Money Market	BB&T
BBX Capital Corporation	Money Market	PNC
BBX Capital Corporation	Money Market	CITY NATIONAL
BBX Capital Corporation	Money Market	IBERIA
BBX Capital Corporation	Money Market	FLORIDA COMMUNITY
BBX Capital Corporation	Money Market	GIBRALTAR
BBX Capital Corporation	Money Market	CENTENNIAL
BBX Sweet Holdings, LLC	Money Market	IBERIA
BBX Sweet Holdings, LLC	Checking	IBERIA

Schedule 7.10-1

**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
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45083/0017

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## SCHEDULE 7.12

### Significant Subsidiaries; Capitalization; Solvency

**Significant Subsidiaries:** IT'SUGAR, LLC; BBX Grand Central, LLC; BBX Promenade, LLC

**Capitalization:**

BBX Capital Corporation owns 100% of the issued and outstanding Capital Stock of each of Food for Thought Restaurant Group-Florida, LLC, BBX Capital Florida LLC, Woodbridge Holdings, LLC and BBX Sweet Holdings, LLC.

For information regarding the ownership of BBX Capital Corporation, see BBX Capital Corporation's Definitive Proxy Statement on Schedule 14A, filed on April 21, 2017.

Schedule 7.12-1

**IBERIABANK/BBX CAPITAL  
SYNDICATED LOAN AND SECURITY AGREEMENT**

4833-7494-6387.12  
45083/0017

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## **SCHEDULE 7.13**

### **Labor Disputes**

See Item 1, Note 10 of BBX Capital Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ending on September 30, 2017, filed on November 6, 2017.

Schedule 7.13-1

**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
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## SCHEDULE 8.8

### Indebtedness

1. Credit Agreement dated November 5, 2014, among Bluegreen Corporation, as Borrower, Fifth Third Bank, as Administrative Agent and L/C Issuer, and Guarantors and Lenders party thereto.
2. Second Amended and Restated Secured Promissory Note dated June 25, 2015, by and among Bluegreen Vacations Unlimited, Inc., as Borrower, and Pacific Western Bank, as Lender.
3. Second Amendment to Amended and Restated Loan and Security Agreement dated June 25, 2015, by and among Bluegreen Corporation, as Borrower, and Pacific Western Bank, as Lender.
4. Third Amended and Restated Revolving Promissory Note (Hypothecation Facility) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender.
5. First Amended and Restated Loan and Security Agreement (Hypothecation Facility) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower and National Bank of Arizona, as Lender.
6. First Amended and Restated Promissory Note (Inventory Loan) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender.
7. First Amended and Restated Loan Agreement (Inventory Loan) dated June 30, 2015, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and National Bank of Arizona, as Lender.
8. Loan Agreement and Promissory Note, dated April 17, 2015, between BFC Financial Corporation and Bluegreen Specialty Finance, LLC.
9. Amended and Restated Credit Agreement dated as of December 16, 2016, by and among Bluegreen Corporation, as Borrower and Fifth Third Bank, as Administrative Agent and L/C Issuer.
10. Amended and Restated Security Agreement, dated as of December 16, 2016, by and among Bluegreen Corporation, as Borrower, Bluegreen Vacations Unlimited, Inc. and Bluegreen Resorts Management, Inc. as Grantors, and Fifth Third Bank, as Administrative Agent.
11. Fourth Amended and Restated Revolving Promissory Note (Hypothecation Facility) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender.
12. Second Amended and Restated Loan and Security Agreement (Hypothecation Facility) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender.
13. Second Amended and Restated Promissory Note (Inventory Loan) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender.

Schedule 8.8-1



14. Second Amended and Restated Loan Agreement (Inventory Loan) dated September 28, 2017, by and among Bluegreen / Big Cedar Vacations, LLC, as Borrower, and ZB, N.A. dba National Bank of Arizona, as Lender.
15. Full Guaranty (Hypothecation Facility) dated September 30, 2010, by Bluegreen Corporation, as Guarantor, in favor of National Bank of Arizona, as Lender.
16. Guarantor Consent and Ratification and Confirmation of and Amendment to Full Guaranty (Hypothecation Facility) dated September 28, 2017, by Bluegreen Vacations Corporation, as Guarantor, in favor of Z.B., National Bank of Arizona, as Lender.
17. Full Guaranty (Inventory Loan) dated December 13, 2013, by Bluegreen Corporation, as Guarantor, in favor of National Bank of Arizona, as Lender.
18. Guarantor Consent and Ratification and Confirmation of and Amendment to Full Guaranty (Inventory Loan) dated September 28, 2017, by Bluegreen Vacations Corporation, as Guarantor, in favor of Z.B., National Bank of Arizona, as Lender.
19. On April 17, 2015, BBX Capital Corporation ("**BBX**") entered into a Loan Agreement and Promissory Note with a wholly-owned subsidiary of Bluegreen Corporation ("**Bluegreen**") pursuant to which Bluegreen's subsidiary provided an \$80 million loan to BBX to finance, in part, BBX's purchase of shares of BBX Capital Corporation's (formerly BankAtlantic Bancorp, Inc.) (together with its successor by merger, BBX Capital Florida LLC, "**BCC**") Class A Common Stock in the tender offer.
20. [In July 2014, BBX Capital Corporation entered into the Hialeah Communities joint venture with CC Bonterra to develop approximately 394 homes in a portion of the newly proposed Bonterra community in Hialeah Florida. BBX Capital Corporation transferred approximately 50 acres of land at an agreed upon value of approximately \$15.6 million subject to an \$8.3 million mortgage which was assumed by the joint venture. In March 2015, the joint venture refinanced the \$8.3 million mortgage loan into a \$31.0 million acquisition and development loan. In March 2016, the loan was modified reducing the loan balance from \$31.0 million to \$26.5 million. BBX Capital Corporation is a guarantor of up to \$1.5 million of the joint venture's \$26.5 million acquisition and development loan.]
21. During the year ended December 31, 2014, the Sunrise and Bayview Partners, LLC joint venture owned 50% by Procacci Bayview, LLC and 50% by a subsidiary of BBX Capital Corporation refinanced its land acquisition loan with a financial institution. BBX Capital Corporation provided the financial institution with a guarantee of 50% of the outstanding balance of the joint venture's loan which had an outstanding balance of \$5.0 million as of December 31, 2017.
22. BBX Capital Corporation is a guarantor on a \$1.5 million note payable of Anastasia Confections ("**Anastasia**"), a wholly-owned subsidiary of BBX Sweet Holdings, owed to the former owner of Anastasia. The Anastasia note payable is collateralized by the common stock of Anastasia.
23. BBX Sweet Holdings and BBX Capital Corporation are guarantors of a \$1.5 million note payable of Hoffman's Chocolates, a wholly-owned subsidiary of BBX Sweet Holdings, owed to Centennial Bank. This note payable is collateralized by approximately \$2.0 million of properties and equipment.

Schedule 8.8-2

24. In October 2017, a wholly-owned subsidiary of BBX Capital Corporation, issued a \$3.4 million unsecured note to the seller of real estate to the Chapel Trail joint venture, in which the subsidiary has a 46.75% equity interest. The unsecured note was part of the subsidiaries initial capital contribution to the Chapel Trail real estate joint venture. The note is not secured by the joint venture property and BBX Capital Corporation guarantees the repayment of the unsecured note.

25. On August 7, 2015, BBX Sweet Holdings entered into a Loan and Security Agreement and related agreements with Iberiabank, which provides for borrowings by BBX Sweet Holdings of up to \$5.0 million on a revolving basis. The facility is secured by the assets of BBX Sweet Holdings and its subsidiaries and is guaranteed by BBX Capital Corporation.

26. Food for Thought Restaurant Group, LLC enters into lease agreements for MOD restaurant locations. As of December 31, 2017, BBX Capital Corporation is a guarantor on two of the lease agreements with an aggregate lease obligation of \$1.3 million.

27. Term loan to BBX Sweet Holdings with an outstanding balance of \$1.5 million and \$1.6 million as of December 31, 2017 and 2016, respectively, collateralized by land and buildings with a carrying value of \$2.0 million on each of December 31, 2017 and 2016. BBX Capital Corporation is the guarantor on this note payable.

28. In October 2017, a wholly-owned subsidiary of BBX Capital Corporation, issued a \$3.4 million unsecured note to the seller of real estate to the Chapel Trail joint venture, in which the subsidiary has a 46.75% equity interest. The note is not secured by the joint venture property and BBX Capital Corporation guarantees the repayment of the unsecured note.

Schedule 8.8-3

**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
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**SCHEDULE 8.9(e)**

**Loans and Advances**

1. Tax Sharing Agreement dated as of May 8, 2015, by and among BFC Financial Corporation, BBX Capital and Bluegreen.
2. BBX pays Abdo Companies, Inc. approximately \$25,520 per month in exchange for Abdo Companies, Inc.'s provision of certain management services. John E. Abdo, the Company's Vice Chairman, is the principal shareholder and Chief Executive Officer of Abdo Companies, Inc.
3. Bluegreen paid or reimbursed BBX Capital Corporation \$1.5 million, \$1.3 million and \$1.4 million during 2017, 2016, and 2015, respectively, for management advisory, risk management, administrative and other services.

Schedule 8.9(e)-1

**IBERIABANK/BBX CAPITAL**  
**SYNDICATED LOAN AND SECURITY AGREEMENT**  
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**BBX Capital Corporation**  
**Computation of Ratio of Earnings to Fixed Charges**  
**(Dollars in thousands)**

		<b>For the Years Ended December 31,</b>				
		<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
		<b>(In thousands)</b>				
<b>Earnings Available to Cover</b>						
<b>Fixed Charges:</b>						
Income before income taxes	\$	93,374	78,036	64,683	64,378	96,898
(Income) loss from equity investees		(14,483)	(13,630)	1,565	573	30
Distributed income to equity investees		12,852	13,267	-	-	-
		<u>91,743</u>	<u>77,673</u>	<u>66,248</u>	<u>64,951</u>	<u>96,928</u>
Add: Fixed charges:						
Interest on borrowings	\$	37,994	37,243	42,173	47,402	50,621
Interest portion of rent expense		9,449	5,249	4,536	4,271	3,593
Total fixed charges <sup>(1)</sup>		<u>47,443</u>	<u>42,492</u>	<u>46,709</u>	<u>51,673</u>	<u>54,214</u>
Earnings available to cover fixed charges	\$	<u>139,186</u>	<u>120,165</u>	<u>112,957</u>	<u>116,624</u>	<u>151,142</u>
Ratio of earnings to fixed charges	%	<u>2.93</u>	<u>2.83</u>	<u>2.42</u>	<u>2.26</u>	<u>2.79</u>

(1)

Consists of interest expense on all indebtedness (including costs related to the amortization of deferred financing costs), capitalized interest and the portion of operating lease rental expense that is representative of the interest factor.

**Exhibit 21.1**

<b><u>Subsidiaries of BBX Capital Corporation</u></b>	<b><u>Jurisdiction of Organization</u></b>
Woodbridge Holdings, LLC	Florida
BBX Capital Florida, LLC	Florida
Eden Services, Inc.	Florida
BankAtlantic Financial Ventures II, LLC	Florida
I.R.E. Property Analysts, Inc.	Florida
I.R.E. Energy 1981, Inc.	Florida
Kingsway Services Inc.	Florida
Risk Management Services, LLC	Florida
BFC/CCC, Inc.	Florida
B-D2 Holdings, LLC	Florida
B-DJ Holdings, LLC	Florida
B-26 Holdings, LLC	Florida
D-2 Acquisition	Florida
BBX Sweet Holdings, LLC	Florida
Food for Thought Restaurant Group – Florida, LLC	Florida
Renin Holdings, LLC	Florida
LAS Trademark, LLC	Florida
<b><u>Subsidiaries of Woodbridge Holdings, LLC</u></b>	
Bluegreen Vacations Corporation	Florida
BXG Florida Corporation	Florida
Core Communities of South Carolina, LLC	So. Carolina
Carolina Oak Homes, LLC	So. Carolina
ODI Program Partnership, LLLP	Florida
PF Program Partnership, LP	Delaware
PF Program GP LLC	Delaware
<b><u>Subsidiaries of Bluegreen Vacations Corporation</u></b>	
BBCV Receivables-Q 2010, LLC	Delaware
Big Cedar JV Interiors, LLC	Delaware
Bluegreen Asset Management Corporation	Delaware
Bluegreen Beverage, LLC	Delaware
Bluegreen Communities of Georgia, LLC	Georgia
Bluegreen Communities of Texas, LP	Delaware
Bluegreen Communities, LLC	Delaware
Bluegreen Corporation of Tennessee	Delaware
Bluegreen Golf Clubs, Inc.	Delaware
Bluegreen Guaranty Corporation	Florida
Bluegreen HoldCo, LLC	Nevada
Bluegreen Holding Corporation (Texas)	Delaware
Bluegreen Louisiana, LLC	Delaware
Bluegreen Management Resources, LLC	Delaware
Bluegreen Nevada, LLC	Delaware
Bluegreen New Jersey, LLC	Delaware
Bluegreen Properties N.V.	Aruba
Bluegreen Properties of Virginia, Inc.	Delaware
Bluegreen Purchasing & Design, Inc.	Florida

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Bluegreen Receivables Finance Corporation III	Delaware
Bluegreen Resorts International, Inc.	Delaware
Bluegreen Resorts Management, Inc.	Delaware
Bluegreen Resorts of Canada, Inc.	Canada
Bluegreen Servicing LLC (f/k/a Bluegreen Florida, LLC)	Delaware
Bluegreen Southwest Land, Inc.	Delaware
Bluegreen Southwest One, L.P.	Delaware
Bluegreen Specialty Finance, LLC	Delaware
Bluegreen Timeshare Finance Corporation I	Delaware
Bluegreen Treasury Services, LLC	Delaware
Bluegreen Vacations Unlimited, Inc.	Florida
Bluegreen/Big Cedar Vacations, LLC	Delaware
BRFC 2010-A, LLC	Delaware
BRFC 2012-A LLC	Delaware
BRFC 2013-A LLC	Delaware
BRFC 2015-A LLC	Delaware
BRFC 2016-A LLC	Delaware
BRFC III Deed Corporation	Delaware
BRFC-Q 2010, LLC	Delaware
BRM Bahamas Limited	Bahamas
BXG Construction, LLC	Delaware
BXG Mineral Holdings, LLC	Delaware
BXG Realty, Inc.	Delaware
Catawba Falls, LLC	North Carolina
Encore Rewards, Inc.	Delaware
Family Fun Company, LLC	Delaware
Great Vacation Destinations, Inc.	Florida
Jordan Lake Preserve Corporation	North Carolina
Leisure Capital Corporation	Vermont
Leisure Communication Network, Inc.	Delaware
Leisurepath, Inc.	Florida
Managed Assets Corporation	Delaware
New England Advertising Corporation	Vermont
Outdoor Traveler Destinations, LLC	Florida
Pinnacle Vacations, Inc.	Delaware
Prizzma, LLC	Delaware
Resort Title Agency, Inc.	Florida
SC Holdco, LLC	Delaware
Select Connections, LLC	Delaware
TFRI 2013-1 LLC	Delaware
<b><u>Subsidiaries of BBX Capital Florida, LLC</u></b>	
BBX Partners, Inc.	Florida
BBX Capital Asset Management, LLC	Florida
Florida Asset Resolution Group, LLC	Florida
BBX Capital Partners, LLC	Florida
<b><u>Subsidiaries of BBX Partners Inc.</u></b>	
Heartwood Partners 1, LLC	Florida
Heartwood Partners 2, LLC	Florida
Heartwood Partners 3, LLC	Florida

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**Subsidiaries of BBX Capital Asset Management, LLC**

BBX Chapel Trail, LLC	Florida
BBX Shingle Creek, LLC	Florida
BBX Miramar, LLC	Florida
BBX Centra, LLC	Florida
FL Cell Tower, LLC	Florida
BBX Bonterra Multifamily, LLC	Florida
BBX Gardens Multifamily, LLC	Florida
BBX Austin, LLC	Florida
BBX Hialeah Apartments, LLC	Florida
Hialeah Multifamily, LLC	Florida
BBX Residential Victoria Park, LLC	Florida
Premier Flagler, LLC	Florida
Banc Servicing Center, LLC	Florida
Fidelity Service, LLC	Florida
Fidelity Tax, LLC	Florida
Heartwood 3, LLC	Florida
Heartwood 4, LLC	Florida
Heartwood 7, LLC	Florida
Heartwood 11, LLC	Florida
FL Billboards, LLC	Florida
Heartwood 18, LLC	Florida
Heartwood 19, LLC	Florida
Heartwood 21, LLC	Florida
Heartwood 23, LLC	Florida
Heartwood 24, LLC	Florida
Heartwood 40, LLC	Florida
Heartwood 41, LLC	Florida
Heartwood 42, LLC	Florida
Heartwood 44, LLC	Florida
Heartwood 47, LLC	Florida
Heartwood 50, LLC	Florida
Heartwood 88, LLC	Florida
Heartwood 90, LLC	Florida
Heartwood 91, LLC	Florida
Heartwood 91-2, LLC	Florida
Heartwood 91-3, LLC	Florida
Heartwood 91-4, LLC	Florida
Heartwood 92, LLC	Florida
BBX Grand Central, LLC	Florida
BBX Promenade, LLC	Florida

**Subsidiary of Florida Asset Resolution Group, LLC**

Heartwood 58, LLC	Florida
FAR Holdings Group, LLC	Florida

**Subsidiaries of Heartwood 58, LLC**

FT Properties, LLC	Florida
Sunrise Atlantic, LLC	Florida
Heartwood 45, LLC	Florida

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Heartwood 56, LLC	Florida
Heartwood 57, LLC	Florida

**Subsidiaries of FAR Holdings Group, LLC**

Heartwood 2, LLC	Florida
Heartwood 43, LLC	Florida
Heartwood 55, LLC	Florida
FAR 1, LLC	Florida
FAR 2, LLC	Florida
FAR 3, LLC	Florida
FAR 4, LLC	Florida
FAR 5, LLC	Florida
FAR 6, LLC	Florida

**Subsidiaries of BBX Sweet Holdings, LLC**

The Hoffman Commercial Group, Inc.	Florida
Good Fortunes East, LLC	Florida
Boca Bons East, LLC	Florida
B&B Bons, LLC	Florida
S&F Good Fortunes, LLC	Florida
Hoffchoc, LLC	Florida
Hoffmans Chocolate, LLC	Florida
Brea Enterprises, LLC	Florida
Chocolate Acquisition Sub, LLC dba Kron Chocolatier	Florida
Las Olas Confections and Snacks, LLC	Florida
IT'SUGAR Holdings, LLC	Florida
Fantasy Chocolates, Inc.	Florida
Jer's Chocolates, LLC	California
Helen Grace Chocolates, LLC	California
Droga Chocolates, LLC	California
Kencraft Confections, LLC	Utah
Sweet Acquisitions UT2	Utah
Anastasia Confections, Inc.	Florida

**Subsidiaries of IT'SUGAR Holdings, LLC**

IT'SUGAR, LLC	Florida
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**Subsidiaries of IT'Sugar, LLC**

IT'Sugar Atlantic City, LLC	Delaware
IT'Sugar FLGC, LLC	Florida

**Subsidiaries of Food For Thought Restaurant Group – Florida, LLC**

Food For Thought Restaurant Group – LLC	Florida
Food For Thought Restaurant Group – Operations, LLC	Florida

**Subsidiaries of Renin Holdings, LLC**

Renin US, LLC	Mississippi
Renin Canada Corporation	Canada

**Subsidiaries of Renin Canada Corporation**

Renin UK Corporation	United Kingdom
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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated March 9, 2018 with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of BBX Capital Corporation on Form 10-K for the year ended December 31, 2017. We consent to the incorporation by reference of said reports in the Registration Statements of BBX Capital Corporation on Forms S-3 (File No. 333-216571 and File No. 333-219178) and on Forms S-8 (File No. 333-197195, File No. 333-206371, File No. 333-215247, File No. 333-215260 and File No. 333-218265).

/s/ GRANT THORNTON LLP

Fort Lauderdale, Florida  
March 9, 2018

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I, Alan B. Levan, certify that:

- 1) I have reviewed this annual report on Form 10-K of BBX Capital Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2018

By: /s/Alan B. Levan  
Alan B. Levan,  
Chairman of the Board and  
Chief Executive Officer

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I, Raymond S. Lopez, certify that:

- 1) I have reviewed this annual report on Form 10-K of BBX Capital Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2018

By: /s/Raymond S. Lopez  
Raymond S. Lopez,  
Chief Financial Officer

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of BBX Capital Corporation (the “Company”) for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alan B. Levan, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan B. Levan

Name: Alan B. Levan

Title: Chairman of the Board and Chief Executive Officer

Date: March 9, 2018

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of BBX Capital Corporation (the “Company”) for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raymond S. Lopez, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Raymond S. Lopez

Name: Raymond S. Lopez

Title: Chief Financial Officer

Date: March 9, 2018

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