

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, 2019

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)

Florida

(State or other jurisdiction of incorporation or organization)

59-2022148

(I.R.S Employer Identification No.)

401 East Las Olas Boulevard, Suite 800  
Fort Lauderdale, Florida

(Address of principal executive office)

33301

(Zip Code)

(954) 940-4900

(Registrant's telephone number, including area code)

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

| Title of each class                   | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------------|-------------------|---|
| Class A Common Stock, \$.01 par value | BBX               | New York Stock Exchange                   |

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 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  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

On June 30, 2019, the aggregate market value of the registrant's voting common equity held by non-affiliates was \$298.9 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 2, 2020 is as follows:

Class A Common Stock of \$.01 par value, 78,106,148 shares outstanding.

Class B Common Stock of \$.01 par value, 18,466,942 shares outstanding.

**Documents Incorporated by Reference**

Portions of the registrant's Definitive Proxy Statement on Schedule 14A relating to the registrant's 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

**BBX Capital Corporation**  
**Annual Report on Form 10-K for the Year Ended December 31, 2019**

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>PART I</b>   |             |
| Item 1. <a href="#">Business</a>  | 1           |
| Item 1A <a href="#">Risk Factors</a>  | 28          |
| Item 1B <a href="#">Unresolved Staff Comments</a>   | 46          |
| Item 2 <a href="#">Properties</a>   | 46          |
| Item 3 <a href="#">Legal Proceedings</a>  | 47          |
| Item 4 <a href="#">Mine Safety Disclosure</a>   | 49          |
| <b>PART II</b>  |             |
| Item 5 <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a> | 50          |
| Item 6 <a href="#">Selected Financial Data</a>  | 53          |
| Item 7 <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>                        | 55          |
| Item 7A <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>  | 81          |
| Item 8 <a href="#">Financial Statements and Supplementary Data</a>  | F-1 to F-55 |
| Item 9 <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>                         | 82          |
| Item 9A <a href="#">Controls and Procedures</a>   | 82          |
| Item 9B <a href="#">Other Information</a>   | 84          |
| <b>PART III</b>   |             |
| Item 10 <a href="#">Directors, Executive Officers and Corporate Governance</a>  | 85          |
| Item 11 <a href="#">Executive Compensation</a>  | 85          |
| Item 12 <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>              | 85          |
| Item 13 <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>                                   | 85          |
| Item 14 <a href="#">Principal Accounting Fees and Services</a>  | 85          |
| <b>PART IV</b>  |             |
| Item 15 <a href="#">Exhibits, Financial Statement Schedules</a>   | 86          |
| Item 16 <a href="#">Form 10-K Summary</a>   | 94          |
| <a href="#">SIGNATURES</a>  | 95          |

---

## 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 whose principal investments are Bluegreen Vacations Corporation (“Bluegreen Vacations” or “Bluegreen”), BBX Capital Real Estate LLC (“BBX Capital Real Estate” or “BBXRE”), BBX Sweet Holdings, LLC (“BBX Sweet Holdings”) and Renin Holdings, LLC (“Renin”).

BBX Capital’s Class A Common Stock trades on the New York Stock Exchange (“NYSE”) under the ticker symbol “BBX,” and its Class B Common Stock trades on the OTCQX Best Market under the ticker symbol “BBXTB.”

In December 2016, BBX Capital completed the acquisition of all the outstanding shares of the former BBX Capital Corporation (“BCC”) not previously owned by it, and following the transaction, BBX Capital changed its name from BFC Financial Corporation to BBX Capital Corporation. Prior to the acquisition, BBX Capital had an 82% equity interest in BCC and a direct 54% equity interest in Woodbridge Holdings Corporation (“Woodbridge”), the parent company of Bluegreen, and BCC held the remaining 46% interest in Woodbridge. As a result of the acquisition, BCC, Woodbridge, and Bluegreen became wholly-owned subsidiaries of the Company. During the fourth quarter of 2017, Bluegreen completed an initial public offering (“IPO”) of its common stock in which Bluegreen sold to the public 3,736,723 shares of its common stock and Woodbridge, as a selling shareholder, sold to the public 3,736,722 shares of Bluegreen’s common stock. In addition, as of December 31, 2019, Bluegreen has repurchased and retired 371,762 shares of its common stock for \$4.8 million. As a result of Bluegreen’s IPO and subsequent share repurchases, BBX Capital currently owns approximately 90.5% of Bluegreen’s common stock through Woodbridge.

##### *Principal Investments*

BBX Capital’s principal investments are as follows:

- **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 popular leisure and urban destinations. Bluegreen’s resort network includes 45 Club Resorts (resorts in which owners in the Bluegreen Vacation Club (the “Vacation Club”) have the right to use most of the units in connection with their VOI ownership) and 23 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 markets, sells, and manages VOIs in resorts which are generally located in high-volume, “drive-to” vacation destinations, including Orlando, Las Vegas, Myrtle Beach, and Charleston, among others. Through its points-based system, the approximately 220,000 owners in Bluegreen’s Vacation Club have the flexibility to stay at units available at any of its resorts and have access to over 11,350 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 provides third-party developers with sales and marketing services and resorts and resort developers with other fee-based services, including resort management, mortgage servicing, title services, and construction management. In addition, Bluegreen offers financing to qualified VOI purchasers. Bluegreen had total assets of \$1.4 billion as of December 31, 2019.

**BBX Capital Real Estate:** BBXRE is engaged in the acquisition, development, construction, ownership, financing, and management of real estate and investments in real estate joint ventures, including investments in multifamily apartment and townhome communities, single-family master-planned communities, and commercial properties located primarily in Florida. In addition, BBXRE owns a 50% equity interest in The Altman Companies, LLC (the “Altman Companies”), a developer and manager of multifamily apartment communities, and manages the legacy assets acquired in connection with the Company’s sale of BankAtlantic in 2012, including portfolios of loans receivable and real estate properties. BBXRE had total assets of \$145.9 million as of December 31, 2019.

**BBX Sweet Holdings:** BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including IT’SUGAR, Hoffman’s Chocolates, and Las Olas Confections and Snacks. IT’SUGAR is a specialty candy retailer which operates approximately 100 retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations in over 25 states and Washington D.C., and its products include bulk candy, candy in giant packaging, and novelty items. Hoffman’s Chocolates is a retailer of gourmet chocolates with retail locations in South Florida, and Las Olas Confections and Snacks is a manufacturer and wholesaler of chocolate and other confectionery products. BBX Sweet Holdings had total assets of \$167.3 million as of December 31, 2019.

**Renin:** Renin is engaged in the design, manufacture, and distribution of sliding doors, door 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. In addition to its own manufacturing, Renin also sources various products and raw materials from China. Renin had total assets of \$32.3 million as of December 31, 2019.

#### **Other Investments**

In addition to its principal investments, the Company has investments in other operating businesses, including a restaurant located in South Florida that was acquired through a loan foreclosure and an insurance agency.

In 2016, the Company entered into area development and franchise agreements with MOD Super Fast Pizza (“MOD Pizza”) related to the development of up to approximately 60 MOD Pizza franchised restaurant locations throughout Florida, and through 2019, the Company had opened nine MOD Pizza restaurant locations. During the third quarter of 2019, the Company terminated the agreements with MOD Pizza and transferred or closed all nine of its MOD Pizza restaurant locations.

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

The Company’s goal is to build long-term shareholder value. Since many of the Company’s assets do not generate income on a regular or predictable basis, the Company’s objective continues to be long-term growth as measured by increases in book value and intrinsic value over time. In addition, the Company’s goal is to streamline its investment verticals so that the Company can be more easily analyzed and followed by the marketplace.

The Company regularly reviews the performance of its investments and, based upon economic, market, and other relevant factors, considers transactions involving the sale or disposition of all or a portion of its assets, investments, or subsidiaries. These include, among other alternatives, a sale or spin-off of its assets, investments, or subsidiaries or transactions involving public or private issuances of debt or equity securities which decrease or dilute the Company’s ownership interest in such investments. Further, the Company may from time to time repurchase its outstanding securities and the outstanding securities of its subsidiaries subject to market conditions and other factors.

#### **Additional Information**

The Company’s corporate website is [www.bbxcapital.com](http://www.bbxcapital.com). The Company’s annual reports 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 Securities and Exchange Commission (“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 be 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 and its respective investments and operations. The reader should note that prior or current performance is not a guarantee or indication of future performance. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and all such information should only be viewed as historical data. 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 subjects the Company to covenants and restrictions on its operations and activities and on BBX Capital's ability to pay dividends, and, with respect to the \$80.0 million loan that BBX Capital received from a subsidiary of Bluegreen which matures in April 2020, that BBX Capital may be required to repay the loan to the extent necessary for Bluegreen to remain in compliance with covenants under Bluegreen's outstanding indebtedness and will be required to repay the loan in April 2020 if the loan is not extended;
- Risks associated with BBX Capital's current business strategy, including the risk that BBX Capital will not be successful in simplifying its business structure or in pursuing the sale or disposal of businesses or investments, that it will not be in a position to provide strategic support to or make additional investments in its subsidiaries or joint ventures, or that it may not achieve or maintain in the future the benefits anticipated to be realized from such support or additional investments;
- BBX Capital's shareholders' interests will be diluted to the extent 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 BBX Capital's ability to obtain additional capital, including the risk that if BBX Capital needs or otherwise believes it is advisable to issue debt or equity securities or to incur indebtedness in order to fund the Company's operations or investments, it may not be possible to issue any such securities or obtain such indebtedness on favorable terms, or 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 risk that creditors of BBX Capital's subsidiaries or other third-parties may seek to recover distributions or dividends made by such subsidiaries to BBX Capital or other amounts owed by such subsidiaries to such creditors or third-parties;
- The performance of entities in which BBX Capital has made investments may not be profitable or achieve anticipated results;
- Risks related to potential business expansion that the Company may pursue, including that the Company may not pursue such expansion when or to the extent anticipated or at all, and any such expansion may involve significant costs and the incurrence of significant indebtedness and may not be successful;
- Risks and uncertainties affecting the Company and its 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;
- 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;
- Risks of cybersecurity threats, including the potential misappropriation of assets or confidential information, corruption of data or operational disruptions;
- Updating of, and developments with respect to, technology, including the cost involved in updating our technology and the impact that any failure to keep pace with developments in technology could have on our operations or competitive position and our information technology expenditures may not result in the expected benefits;
- The Company's ability to compete effectively in the highly competitive industries in which it operates;

- The Company's ability to maintain the integrity of internal or customer data, the failure of which could result in damage to our reputation and/or subject us to costs, fines or lawsuits;
- Risks associated with legal proceedings and other regulatory proceedings, examinations or audits of the Company's operations, including claims of noncompliance with applicable regulations or for development related defects, and the impact they may have on the Company's financial condition and operating results, including the costs associated with regulatory compliance;
- Audits of the Company's federal or state tax returns, including that they may result in the imposition of additional taxes;
- Environmental liabilities, including claims with respect to mold or hazardous or toxic substances, and their impact on the Company's financial condition and operating results;
- The impact on the Company's consolidated financial statements and internal control over financial reporting of the adoption of new accounting standards, including the new standard for accounting for credit losses which the Company adopted on January 1, 2020;
- Risks that public health issues, such as the recent coronavirus outbreak, and natural disasters including hurricanes, may adversely impact the Company's financial condition and operating results, including, with respect to the recent coronavirus outbreak, impacts resulting from disruptions in the Company's supply chains, potential declines in leisure travel and consumer traffic at malls and retail locations, and public health concerns related to bulk candy products;
- Any damage to physical assets or interruption of access to physical assets or operations resulting from public health issues such as the recent coronavirus outbreak, or from hurricanes, earthquakes, fires, floods, windstorms or other natural disasters, which may increase in frequency or severity due to climate change or other factors; 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:

- Adverse trends or disruptions in the vacation ownership, vacation rental, and travel industries;
- Adverse changes to, expirations or terminations of, or interruptions in, business and strategic relationships, management contracts, exchange networks, or strategic marketing alliances.
- Risk that Bluegreen's relationship with Bass Pro under the revised terms of its marketing agreement with Bass Pro may not be as profitable as under the prior terms, or at all, or otherwise result in the benefits anticipated, and that Bluegreen may not open kiosks in Cabela's stores in the number or at the times anticipated.
- 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;
- Decreased demand from prospective purchasers of VOIs;
- Bluegreen's ability to maintain inventory of VOIs for sale;
- The availability of financing and Bluegreen's ability to sell, securitize, or borrow against its VOI notes receivable;
- Adverse events or trends in vacation destinations and regions where the resorts in Bluegreen's network are located, including weather-related events;
- Bluegreen's indebtedness and the terms of its indebtedness may limit, among other things, its activities and ability to pay dividends, and Bluegreen may not comply with the terms of its indebtedness;
- The loss of the services of Bluegreen's key management and personnel could adversely affect its business;
- Bluegreen's ability to comply with regulations applicable to the vacation ownership industry or otherwise related to its business and activities, and the costs of compliance efforts or a failure to comply;
- Bluegreen's ability to successfully implement its growth strategy and plans and the impact they may have on its results and financial conditions, including that any increased developed VOI sales efforts may not be successful and may impact Bluegreen's cash flows;
- Bluegreen's ability to compete effectively in the highly competitive vacation ownership industry and against hotel and other hospitality and lodging alternatives;
- Bluegreen's ability to enhance the Vacation Club experience for its Vacation Club owners and risks related to Bluegreen's efforts and expenses in connection therewith, including that expenses may be greater than anticipated;
- Bluegreen's customers' compliance with their payment obligations under financing provided by Bluegreen, the increased presence and efforts of "timeshare-exit" firms and the success of actions which Bluegreen may take in connection therewith, and the impact of defaults on Bluegreen's operating results and liquidity position;
- The ratings of third-party rating agencies, including the impact of any downgrade on Bluegreen's ability to obtain, renew or extend credit facilities, or otherwise raise funds;
- Changes in Bluegreen's business model and marketing efforts, plans or strategies, may cause marketing expenses to increase or adversely impact its revenue, operating results and financial condition and such expenses as well as its investments, including investments in new and expanded sales offices, and other sales and marketing initiatives, including screening methods and data driven analysis, may not achieve the desired results;
- Technology and other changes and factors which may impact Bluegreen's telemarketing efforts, including new cell phone technologies that identify or block marketing vendor calls;

- The impact of the resale market for VOIs on Bluegreen's business, operating results, and financial condition;
- Risks associated with Bluegreen's relationships with third-party developers, including that third-party developers who provide VOIs to be sold pursuant to fee-based services or just-in-time arrangements may not provide VOIs when planned and that third-party developers may not fulfill their obligations to Bluegreen or to the homeowners associations that maintain the resorts they developed; and

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 and the value of BBX Capital Real Estate's assets;
- Risks that the recent investment in the Altman Companies may not realize the anticipated benefits and will increase the Company's exposure to risks associated with the multifamily real estate development and construction industry;
- The risk of additional impairments of real estate assets;
- The risks associated with investments in real estate developments and joint ventures include:
  - exposure to downturns in the real estate and housing markets;
  - 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;
  - risks associated with obtaining necessary zoning and entitlements;
  - 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;
  - risks relating to reliance on third-party developers or joint venture partners to complete real estate projects;
  - risk associated with increasing interest rates, as the majority of the development costs and sales of residential communities is financed;
  - risks associated with not finding tenants for multifamily apartments or buyers for single-family homes and townhomes;
  - risk associated with finding equity partners, securing financing, and selling newly built multifamily apartments;
  - risk associated with rising land and construction costs;
  - risk that the projects will not be developed as anticipated or be profitable; and
  - risk associated with customers or vendors not performing on their contractual obligations.

With respect to BBX Sweet Holdings, Renin and other operating businesses, the risks and uncertainties include, but are not limited to:

- Risks that the Company's investments will not achieve the returns anticipated;
- Risks that their business plans, including IT'SUGAR's opening of new stores in high profile locations, will not be successful;
- Risks that market demand for their products could decline;
- 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;
- Risks that the reorganization of certain confectionery businesses and operations may not achieve anticipated operating efficiencies and reduction in operating losses and that the implementation of strategic alternatives, including the sale or disposal of certain operations, will result in additional losses;
- Failure of the Company's confectionery businesses to meet financial metrics may necessitate BBX Capital making further capital contributions or advances to the businesses or a decision not to support underperforming businesses;
- Risks associated with increased commodity costs or a limited availability of commodities;
- Risks associated with product recalls or product liability claims;
- 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;
- For Renin, the risk of trade receivable losses and the risks of charge-offs and required increases in the allowance for bad debts;
- Risks associated with the performance of vendors, commodity price volatility and the impact of tariffs on goods imported from Canada and Asia, particularly with respect to Renin;
- For Renin, risks associated with exposure to foreign currency exchange risk of the U.S. dollar compared to the Canadian dollar;
- The amount and terms of indebtedness associated with the operations and capital expenditures may impact their financial condition and results of operations and limit their activities;
- Requirements for operating and capital expenditures may require BBX Capital to make capital contributions or advances; and
- The risk that a decline in IT'SUGAR's profitability or cash flows may result in impairment losses associated with IT'SUGAR's intangible and long-lived assets.

These and other risks and uncertainties disclosed in this Annual Report on Form 10-K are not necessarily all of the important factors that could cause the Company's actual results to differ materially from those expressed in any of the forward-looking statements. Other unknown or unpredictable factors could cause the Company's actual results to differ materially from those expressed in any of the forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on forward-looking statements, and you should read this Annual Report on Form 10-K with the understanding that actual future results, levels of activity, performance, and events and circumstances may be materially different from what the Company expects.

Forward-looking statements speak only as of the date of this Annual Report on Form 10-K, and the Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

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 qualifies all forward-looking statements and cautions that the foregoing factors are not exclusive.

#### *Market and Industry Data*

Market and industry data used in this Annual Report on Form 10-K have been obtained from 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. The Company has not independently verified such data. Similarly, 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, Cabela's 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.

### **Principal Investments**

The Company's principal investments are Bluegreen, BBX Capital Real Estate, Renin, and BBX Sweet Holdings.

### **Bluegreen**

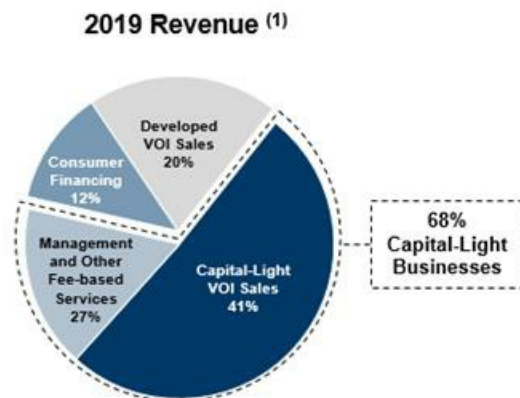
#### *Business Overview*

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in popular leisure and urban destinations. Bluegreen's resort network includes 45 Club Resorts (resorts in which owners in the 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 the 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, high-volume, "drive-to" vacation locations, including Orlando, Las Vegas, Myrtle Beach and Charleston, among others. Through its points-based system, the approximately 220,000 owners in Bluegreen's Vacation Club have the flexibility to stay at units available at any of its resorts and have access to over 11,350 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 had developed or acquired ("developed VOI sales"). While Bluegreen continues to conduct such sales and development activities, Bluegreen also derives a significant portion of its revenue from its capital-light business model, with the goal of utilizing 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.



(1) Excludes “Other Income, Net.”

Bluegreen’s Vacation Club has grown from approximately 170,000 owners as of December 31, 2012 to approximately 220,000 owners as of December 31, 2019. Bluegreen primarily serves a demographic that it considers generally underpenetrated within the vacation ownership industry, as the typical Vacation Club owner has an average annual household income of approximately \$79,000 as compared to an industry average of \$86,000. According to U.S. census data, households with an annual income of \$50,000 to \$100,000 represents approximately 30% of the total population. Bluegreen believes that its ability to effectively scale the transaction size to suit its customer, as well as its high-quality, conveniently-located, “drive-to” resorts, are key to attracting core target demographic.

### **Strategy**

Bluegreen’s core operating and growth strategies are focused on:

- Utilizing its sales and marketing platform to achieve VOI sales growth through the maintenance and expansion of existing marketing alliances, continued development of new marketing programs, and generation of additional VOI sales to existing Vacation Club owners;
- Continuing to enhance its Vacation Club experience by offering owners exceptional value through the addition of new destinations, the expansion of exchange programs, and the addition of new partnerships to offer increased vacation options;
- Continuing to grow its higher-margin, cash-generating businesses, including resort management, title services, and loan servicing;
- Increasing sales and operating efficiencies across all customer touch-points;
- Maintaining operational flexibility and continuing 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; and
- Pursuing strategic transactions, including acquisitions of other VOI companies, resort assets, sales and marketing platforms, management companies and contracts, and other assets, properties and businesses.

### **Products**

#### *Vacation Ownership Interests*

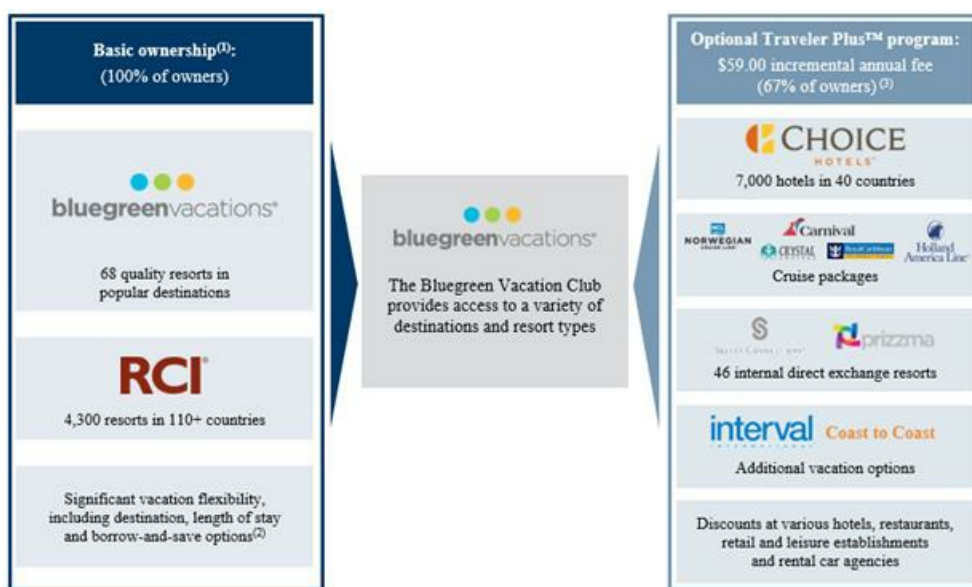
Since entering the vacation ownership industry in 1994, Bluegreen has generated over 711,000 VOI sales transactions, including over 167,000 fee-based sales transactions. Bluegreen’s Vacation Club owners receive an annual or biennial allotment of “points” in perpetuity (supported by an underlying deeded VOI held in trust for the owner) that may be used to stay at any of Bluegreen’s 45 Club Resorts and 23 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 depends 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. The 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 of 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 49 resorts and the Vacation Club through contractual arrangements with HOAs. Bluegreen has a 100% renewal rate on management contracts from its 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 45 Club Resorts and 23 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 46 direct exchange resorts and other vacation experiences, such as cruises. Vacation Club owners can convert their Vacation Club points into Choice Privileges points, which can be used for stays in Choice Hotels’ properties. 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 located in the United States, Canada, Europe, Australia, and Latin America. Overall, there are more than 7,000 hotels in the Choice Hotels network, located in over 40 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 provide value to its 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.

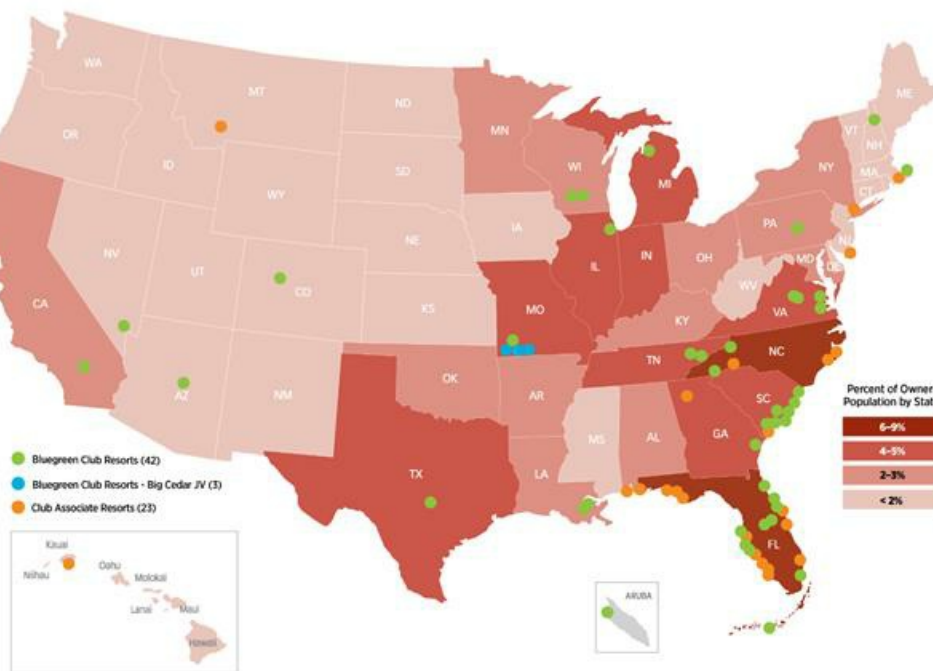


(1) Requires annual payment of maintenance fees and club dues to the Vacation Club.  
 (2) Ability to borrow additional points for 1 year or rollover up to 1 year’s worth of points for a one-time fee.  
 (3) Membership as of December 31, 2019.

Approximately 67% of Vacation Club owners are enrolled in Traveler Plus. During the year ended December 31, 2019, approximately 7% 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 46 direct-exchange resorts available to Traveler Plus members are concentrated along the West Coast and Hawaii. Bluegreen believes that, together, this provides a broad geographic offering of resorts available to its Vacation Club owners.



Vacation Club resorts are primarily “drive-to” resort destinations, as approximately 88% of Bluegreen’s Vacation Club owners live within a four-hour drive of at least one of Bluegreen’s resorts. Bluegreen’s resorts are generally located in popular vacation destinations, such as Florida, South Carolina, North Carolina, Tennessee, Virginia, Texas, Louisiana, 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 Aruba.

Bluegreen’s resort network also 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 appliances. Many resorts feature a clubhouse (including a pool, game room, and 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, the Company’s consolidated financial statements include the results of operations and financial condition of Bluegreen/Big Cedar Vacations.

Located next to 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 and other vacation villas 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>(6)</sup> |
|--------------|--|----------------------------|-------------------------------------|---------------------------------------|-----------------------------|
| 1            | Cibola Vista Resort and Spa  | 343                        | ✓                                   | ✓                                     | ✓                           |
| 2            | La Cabana Beach Resort & Casino <sup>(4)</sup>                         | 449                        |                                     |                                       |                             |
| 3            | The Club at Big Bear Village   | 38                         | ✓                                   |                                       |                             |
| 4            | The Innsbruck Aspen  | 17                         | ✓                                   | ✓                                     |                             |
| 5            | Via Roma Beach Resort  | 28                         | ✓                                   |                                       |                             |
| 6            | Daytona SeaBreeze  | 78                         | ✓                                   |                                       | ✓                           |
| 7            | Resort Sixty-Six   | 28                         | ✓                                   |                                       |                             |
| 8            | The Hammocks at Marathon   | 58                         | ✓                                   |                                       |                             |
| 9            | The Fountains, Lake Eve and Oasis Lakes                                | 842                        | ✓                                   | ✓                                     | ✓                           |
| 10           | Orlando's Sunshine Resort I & II                                       | 84                         | ✓                                   |                                       |                             |
| 11           | Casa del Mar Beach Resort  | 118                        | ✓                                   |                                       |                             |
| 12           | Grande Villas at World Golf Village & The Resort at World Golf Village | 214                        | ✓                                   |                                       | ✓                           |
| 13           | Bluegreen at Tradewinds  | 160                        | ✓                                   | ✓                                     | ✓                           |
| 14           | Solara Surfside  | 60                         | ✓                                   |                                       | ✓                           |
| 15           | Studio Homes at Ellis Square   | 28                         | ✓                                   | ✓                                     | ✓                           |
| 16           | The Hotel Blake  | 160                        | ✓                                   | ✓                                     | ✓                           |
| 17           | Bluegreen Club La Pension  | 64                         | ✓                                   |                                       | ✓                           |
| 18           | Marquee  | 94                         | ✓                                   | ✓                                     | ✓                           |
| 19           | The Soundings Seaside Resort   | 69                         | ✓                                   | ✓                                     |                             |
| 20           | Mountain Run at Boyne & Hemlock  | 205                        | ✓                                   |                                       | ✓                           |
| 21           | The Falls Village  | 293                        | ✓                                   |                                       | ✓                           |
| 22           | Paradise Point Resort(5)   | 150                        | ✓                                   |                                       |                             |
| 23           | Bluegreen Wilderness <sup>Chrb</sup> at Big Cedar(5)                   | 427                        | ✓                                   |                                       | ✓                           |
| 24           | The Cliffs at Long Creek(5)  | 106                        | ✓                                   |                                       |                             |
| 25           | Bluegreen Club 36  | 476                        | ✓                                   |                                       | ✓                           |
| 26           | South Mountain Resort  | 116                        | ✓                                   | ✓                                     | ✓                           |
| 27           | Blue Ridge Village I,II and III  | 132                        | ✓                                   |                                       |                             |
| 28           | Club Lodges at Trillium  | 50                         | ✓                                   | ✓                                     |                             |
| 29           | The Suites at Hershey  | 78                         | ✓                                   |                                       |                             |
| 30           | The Lodge Alley Inn  | 90                         | ✓                                   |                                       | ✓                           |
| 31           | King 583   | 50                         | ✓                                   | ✓                                     |                             |
| 32           | Carolina Grande  | 118                        | ✓                                   |                                       | ✓                           |
| 33           | Harbour Lights   | 324                        | ✓                                   |                                       | ✓                           |
| 34           | Horizon at 77th  | 88                         | ✓                                   | ✓                                     |                             |
| 35           | SeaGlass Towel   | 136                        | ✓                                   |                                       |                             |
| 36           | Shore Crest Vacation Villas I & II                                     | 240                        | ✓                                   |                                       | ✓                           |
| 37           | MountainLoft I & II  | 394                        | ✓                                   |                                       | ✓                           |
| 38           | Laurel Crest   | 298                        | ✓                                   |                                       | ✓                           |
| 39           | Eilan Hotel and Spa  | 163                        | ✓                                   |                                       | ✓                           |
| 40           | Shenandoah Crossing  | 136                        | ✓                                   |                                       | ✓                           |
| 41           | Bluegreen Wilderness Traveler at Shenandoah                            | 146                        | ✓                                   |                                       |                             |
| 42           | BG Patrick Henry Square  | 130                        | ✓                                   | ✓                                     | ✓                           |
| 43           | Parkside Williamsburg Resort   | 107                        | ✓                                   | ✓                                     |                             |
| 44           | Bluegreen Odyssey Dells & Pirate's Lodge                               | 92                         | ✓                                   |                                       |                             |
| 45           | Christmas Mountain Village   | 381                        | ✓                                   |                                       | ✓                           |
|              | <b>Total Units</b>   | <b>7,858</b>               |                                     |                                       |                             |

|    | <b>Club Associate Resorts</b>                        | <b>Location</b>                    | <b>Managed<br/>by Bluegreen <sup>(2)</sup></b> | <b>Fee-Based<br/>or JIT<br/>sales <sup>(3)</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   | 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 |  |  |

- (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) Resorts is managed by Bluegreen Resorts Management, Inc. ("Bluegreen Resorts Management"), Bluegreen's wholly-owned subsidiary.
- (3) These resorts, or a portion thereof, were 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) In addition to the sales centers identified in the table, Bluegreen also operates a sales center in Memphis, Tennessee.

### **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 attract prospective customers, drive tour flow, and sell VOIs in its Vacation Club. Bluegreen primarily utilizes marketing alliances with nationally-recognized brands, which provide 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 other guests at Bluegreen's properties.

Many of Bluegreen's marketing 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, 2019, Bluegreen sold over 243,000 vacation packages, and 44% of Bluegreen's VOI sales were derived from vacation packages. As of December 31, 2019, Bluegreen had a pipeline of over 190,000 vacation packages sold, which have generally converted to tours at a rate of 55%.

Bluegreen Vacations Unlimited ("BVU"), Bluegreen's wholly-owned subsidiary, 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. Bluegreen believes that Bass Pro has a loyal customer base that strongly matches its core demographic.

On May 24, 2019, Bluegreen received notice from Bass Pro and its affiliates that it was terminating the marketing agreement based on the failure to cure the alleged breaches, and Bluegreen was removed from all Bass Pro retail stores. BVU subsequently filed a counter claim against Bass Pro and Big Cedar LLC. On June 13, 2019, Bluegreen entered into a settlement agreement which resolved the litigation and reinstated and amended the marketing agreement. Pursuant to the terms of the settlement agreement, Bass Pro agreed to

reinstate BVU's access to Bass Pro's marketing channels, including Bass Pro and Cabela's retail stores. Additionally, with no admission of any wrongdoing, Bluegreen paid Bass Pro \$20.0 million and agreed to pay Bass Pro \$4.0 million on each January 1 from 2020 through 2024. Bluegreen also agreed that Bass Pro would retain \$1.5 million of an amount prepaid to them earlier in 2019 under the marketing agreement. Additionally, the agreement was amended to pay Bass Pro a fixed annual fee of \$70,000 for each Bass Pro and Cabela's retail store that BVU accesses (excluding retail stores which are designated to provide tours to Bluegreen/Big Cedar Vacations, or "Bluegreen/Big Cedar Feeder Stores") plus \$32 per net vacation package sold (less cancellations and refunds within 45 days of sale) in lieu of Bluegreen's previous commission based fees. Bluegreen also agreed to contribute to the Wonders of Wildlife Foundation \$5.00 per net package sold (less cancellations and refunds within 45 days of sale), subject to an annual minimum of \$700,000. The fixed annual fee was prorated for 2019. Subject to the terms and conditions of the agreement, Bluegreen will generally be required to pay the fixed annual fee with respect to at least 59 Bass Pro retail stores and a minimum number of Cabela's retail stores that increases over time to a total of at least 60 Cabela's retail stores by the end of 2021. However, the minimum number of Bass Pro and Cabela's retail stores on which Bluegreen pays the fixed annual fee may be reduced under certain circumstances, including as a result of a reduction of traffic in the stores in excess of 25% year-over-year. The parties also executed mutual waivers and releases and agreed to the dismissal of the litigation.

As of December 31, 2019, Bluegreen sold vacation packages in 68 of Bass Pro's stores and 15 Cabela's retail stores. During the years ended December 31, 2019, 2018, and 2017, VOI sales to prospects and leads generated by the agreement with Bass Pro accounted for approximately 13%, 14% and 15%, respectively, of Bluegreen's VOI sales volume. Bluegreen's marketing alliance with Bass Pro currently runs through 2025.

Bluegreen also has an exclusive strategic relationship with Choice Hotels that involves 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, 38 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 began in 2013 and was extended in August 2017 for a 15 year term, 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, 2019, Bluegreen had kiosks in 16 outlet malls, which have been strategically selected based on their proximity to major vacation destinations and strong foot traffic of consumers matching Bluegreen's core target demographic. Bluegreen generates vacation package sales from these kiosks. Bluegreen also generates leads at other malls and 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 those prospects, including through telemarketing efforts by Bluegreen or third-party vendors. As of December 31, 2019, Bluegreen had lead generation operations in over 452 locations.

Bluegreen believes that this diverse strategic marketing alliances (including those with Bass Pro, Choice Hotels, and other retail operators and entertainment providers) provides a potential strategic advantage over certain of its competitors that rely primarily on relationships with their affiliated hotel brands to drive lead generation and new owner growth. Bluegreen's goal is to identify marketing partners with brands that attract Bluegreen's targeted owner demographic and to build successful marketing relationships with those partners. In addition to the programs described above, Bluegreen may also engage in other local and national marketing programs from time to time with respect to attracting new customers. Bluegreen believes that the variety in its marketing relationships has historically facilitated a healthy mix of new owner sales vs. existing owner sales that compare favorably to its competitors. During the year ended December 31, 2019, approximately 45% of Bluegreen's VOI sales were to new owners.

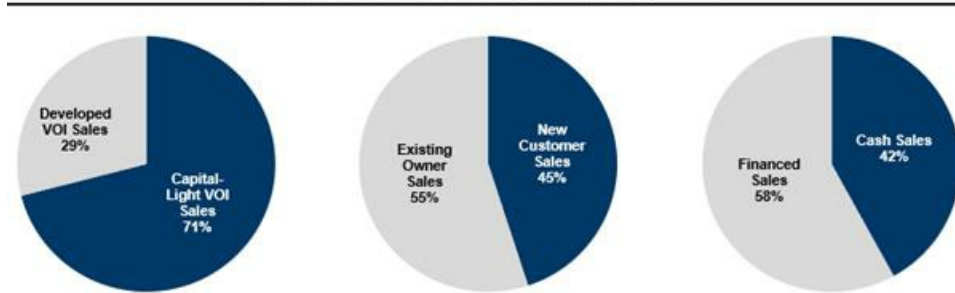
In addition to sales to new customers, Bluegreen also seeks to sell additional VOI points to its existing Vacation Club owners. These sales generally have lower marketing costs and result in higher operating margins than sales generated through other marketing channels. During the years ended December 31, 2019, 2018, and 2017, sales to existing Vacation Club owners accounted for 55%, 52%, and 49%, 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 increased at a 5% compound annual growth rate between 2012 and 2019, from approximately 170,000 owners as of December 31, 2012 to approximately 220,000 owners as of December 31, 2019.

Bluegreen operates 26 sales offices, typically located adjacent to its resorts and staffed with sales representatives and sales managers. As of December 31, 2019, Bluegreen had over 3,200 employees dedicated to VOI sales and marketing. Bluegreen utilizes a uniform sales process and offers ongoing training for its sales personnel with the goal of maintaining strict quality control policies. During the year ended December 31, 2019, 94% of Bluegreen's sales were generated from 20 of its sales offices, which focus on both new customer and existing Vacation Club owner sales. Bluegreen's remaining 6 sales offices are primarily focused on sales to existing Vacation Club owners staying at the respective resort. Bluegreen also utilizes its telesales operations to sell additional VOIs to Vacation Club owners.

**Flexible Business Model**

Bluegreen’s business model is designed to give it potential 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.

**For the year ended December 31, 2019**



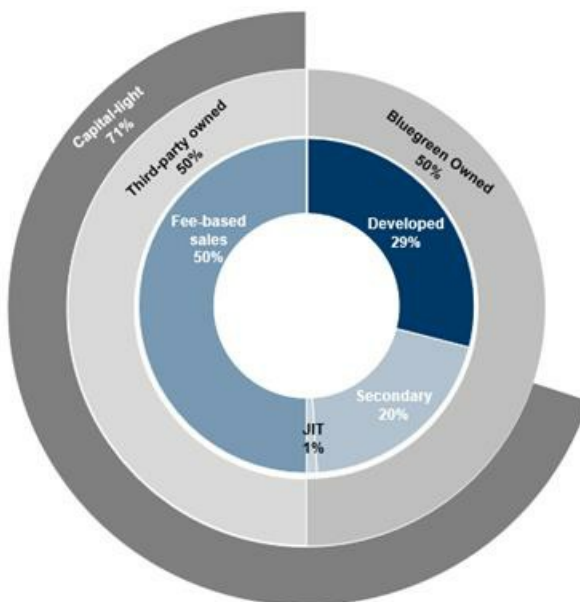
Note: Cash sales represent the portion of Bluegreen’s system-wide sales of VOIs, net that is received from the customer in cash within 30 days of purchase.

**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 that Bluegreen acquires from third-party developers in close proximity to when Bluegreen intends to sell such VOIs;
- Secondary market sales of VOIs that 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).

As of December 31, 2019, sales of VOIs were comprised of the following:



#### *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. Fee-Based Sales comprised 50% of system-wide sales of VOIs during the year ended December 31, 2019. 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 its return on invested capital. Bluegreen also typically holds the HOA management contract associated with these resorts.

#### *Just-In-Time (JIT) VOI 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 1% of system-wide sales of VOIs for the year ended December 31, 2019, JIT arrangements are often entered into in connection with fee-based sales arrangements. Bluegreen also typically holds the HOA management contract associated with these resorts.

#### *Secondary Market VOI 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, 2019, secondary market sales accounted for 20% of Bluegreen's system-wide sales of VOIs.

#### *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, 2019, developed VOI sales accounted for 29% of Bluegreen's system-wide sales of VOIs. Bluegreen holds the notes receivable originated in connection with developed VOI sales.



Bluegreen also typically hold the HOA management contract associated with these resorts.

#### *Future VOI Sales*

The retail value of Bluegreen's 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, 2019 and 2018, Bluegreen owned completed VOI inventory (excluding units not currently being marketed as VOIs, such as model units) and had access to additional completed VOI inventory through fee-based and JIT arrangements having a retail sales value 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>2019</b>               | <b>2018</b>         |
| Owned completed VOI inventory                               | \$ 1,115,822              | \$ 969,167          |
| Inventory accessible through fee-based and JIT arrangements | 312,816                   | 487,391             |
| <b>Total</b>  | <b>\$ 1,428,638</b>       | <b>\$ 1,456,558</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 four years. Bluegreen maintains relationships with numerous third-party developers and expects 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, 2019 and 2018, 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>2019</b>                     | <b>2018</b> |
| Estimated retail sales value | \$ 228,632                      | \$ 164,390  |
| Cash purchase price          | \$ 15,962                       | \$ 11,994   |

Development activities currently consist primarily of additional VOI units being developed at The Cliffs at Long Creek and The Bluegreen Wilderness Club at Big Cedar in Ridgedale, Missouri.

#### ***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. These agreements generally have an initial term of three years with automatic one year renewals. As of December 31, 2019, Bluegreen provided management services to 49 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 currently 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, Bluegreen also 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 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 4% of the cost of construction of the project). Bluegreen also receives revenues from retail and food and beverage operations 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, is fully amortizing in equal installments, and may be prepaid without penalty. Purchasers may receive an additional 1% discount on the interest rate by participating in Bluegreen's pre-authorized payment plan. As of December 31, 2019, approximately 95% of Bluegreen's serviced VOI notes receivable participated in Bluegreen's pre-authorized payment plan. During the year ended December 31, 2019, the weighted-average interest rate on Bluegreen's VOI notes receivable was 14.9%.

VOI purchasers are generally required to make a down payment of at least 10% of the sales price. As part of Bluegreen's efforts to manage operating cash flows, Bluegreen currently incentivizes 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 as compared to historical levels. Including down payments received on financed sales, approximately 42% of Bluegreen's system-wide sales of VOIs during the year ended December 31, 2019 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. However, Bluegreen may provide financing to customers with no FICO score if the customer makes a minimum down payment of 20%. For loans made during 2019, the borrowers' weighted-average FICO score after a 30-day, "same as cash" period from the point of sale was 731. Further information is set forth in the following table:

| <b>FICO Score</b> | <b>Percentage of originated and serviced VOI receivables <sup>(1)</sup></b> |
|-------------------|---|
| <600              | 2.0%  |
| 600 - 699         | 28.0%   |
| 700+              | 69.0%   |

- (1) Excludes loans for which the obligor did not have a FICO score. For 2019, 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. Collectors are incentivized through a performance-based compensation program.

Bluegreen generally pursues collection efforts with respect to Vacation Club owners with outstanding loans secured by their VOI by mail, telephone, and email (as early as 10 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 reverses previously accrued but unpaid, interest on the note receivable and typically mails a notice informing the owner that unless the delinquency is cured within 30 days, Bluegreen may terminate the underlying VOI ownership. If an owner fails to bring the account current within the given timeframe, the loan is typically defaulted, and the owner's VOI is terminated. In that case, Bluegreen mails a final letter, typically at approximately 127 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 may seek to resell the VOI to a new purchaser. In certain cases, at Bluegreen's discretion, Bluegreen may not default the loan and terminate the underlying VOI, in which case the loan would remain delinquent.

### Allowance for Loan Losses

Under vacation ownership accounting rules, Bluegreen estimates uncollectible VOI notes receivable based on historical amounts for similar VOI notes receivable and does not consider the value of the underlying collateral. Bluegreen holds large pools of homogeneous VOI notes receivable and assesses uncollectibility based on pools of receivables. In estimating future loan losses, Bluegreen's management does not use a single primary indicator of credit quality but instead evaluates its VOI notes receivable based upon a combination of factors, including 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 borrowers.

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, 2019, Bluegreen’s sales and marketing expenses totaled approximately 51% of system-wide sales of VOIs. Accordingly, having facilities for the sale or hypothecation of VOI notes receivable along with periodic term securitization transactions have been a critical factor in meeting Bluegreen’s short and long-term cash needs. There are no assurances that sales, hypothecation or securitization of VOIs will be available to Bluegreen in the future at acceptable terms or at all. 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. 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 achieve 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 potential expansion of its marketing efforts with Bass Pro. In addition, through Bluegreen’s agreement with Choice Hotels, Bluegreen plans to enhance its marketing program through Choice Hotels’ call-transfer programs. In addition to existing programs, Bluegreen hopes to utilize its sales and marketing expertise to identify unique marketing relationships with nationally-recognized brands that resonate with its core demographic. Bluegreen will also continue to actively seek 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’s goal continues to be to expand and update its sales offices to more effectively convert tours generated by its marketing programs into sales. To this end, Bluegreen is focused on identifying 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 45 Club Resorts and 23 Club Associate Resorts in premier vacation destinations, as well as access to over 11,350 other hotels and resorts and other vacation experiences, such as cruises, through partnerships and exchange networks. Bluegreen continues to seek to add value and flexibility to its Vacation Club membership and enhance the vacation experience of its Vacation Club owners, including through the addition of new destinations, the expansion of its exchange programs, and the addition of new partnerships offering increased vacation options. Bluegreen also continuously seeks to improve its technology, including websites and applications, to enhance its Vacation Club owners’ experiences. Bluegreen believes its 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 higher-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 higher-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, it utilizes a variety of screening methods and data-driven analyses intended to identify and 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 seek to leverage its size, infrastructure, and expertise to increase operating efficiency and profitability. In addition, as it expands, Bluegreen expects 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 quickly adapt to changing market environments. Bluegreen intends to continue to pursue growth through what it believes to be an appropriate 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, all based on market factors, its financial condition and operating needs, and other factors that Bluegreen's management may deem relevant. 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.

### *Pursue strategic transactions*

As part of its 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 these acquisitions directly or in partnership with third-party developers or others, including pursuant to arrangements in which third-party developers purchase the resort assets and Bluegreen sells the VOIs in the acquired resort on a commission basis. Bluegreen has a history of successfully identifying, acquiring, and integrating complementary businesses and believes its flexible sales and marketing platform enables it to complete these transactions in a variety of economic conditions.

### **Industry Overview**

The vacation ownership, or timeshare, industry is a fast growing segment 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, laundry appliances, 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. Approximately 9.6 million families (approximately 7.1% of U.S. households) own at least one VOI.

The average VOI owner is 40 years old, married, and 79% have either graduated from college or have attended some college. VOI owners have an average household income of over \$86,000.

## **BBX Capital Real Estate**

### ***Business Overview***

BBX Capital Real Estate is engaged in the acquisition, development, construction, ownership, financing, and management of real estate and investments in real estate joint ventures, including investments in multifamily apartment and townhome communities, single-family master-planned communities, and commercial properties located primarily in Florida. In addition, it owns a 50% equity interest in the Altman Companies, a developer and manager of multifamily apartment communities, and manages the legacy assets acquired in connection with the Company's sale of BankAtlantic in 2012, including portfolios of loans receivable and real estate properties.

## **Strategy**

BBX Capital Real Estate's strategy is focused on:

- Identifying and acquiring or developing real estate, including multifamily apartment and townhome communities, single-family master-planned communities, and commercial properties; and
- Identifying and investing in opportunistic real estate joint ventures with third party developers.

Although BBXRE has historically focused on the monetization of the legacy asset portfolio through the collection or sale of loans receivable and the development or sale of foreclosed real estate properties, it largely completed the monetization of the portfolio following the sale of several significant real estate properties during 2019. As a result, BBXRE is currently focused on leveraging the Altman Companies, as well as BBXRE's relationships with third party developers, to source investments in new development opportunities with the goal of building a diversified portfolio of real estate investments that generate profits. In addition to the development and sale of multifamily apartment communities, these investment opportunities may also include the development of multifamily apartment communities that will be owned over a long-term hold period and the acquisition of existing multifamily apartment communities which can be renovated and re-leased pursuant to a "value add" strategy, as well as the pursuit of investment opportunities in additional geographic locations. Furthermore, while BBXRE's investments in multifamily apartment communities sponsored by the Altman Companies primarily involve investing in the managing member in the joint ventures that are formed to invest in such projects, BBXRE may also consider opportunistically making increased debt or equity investments in one or more of such projects in lieu of seeking such funding from unaffiliated third parties.

### ***Investment Portfolio***

BBXRE has invested in a diverse portfolio of real estate developments, including multifamily apartment communities, single-family master-planned communities, retail and mixed-used properties, operating properties, and other legacy assets. The following is a description of BBXRE's current principal investments and certain material investments that were recently monetized during the year ended December 31, 2019.

#### ***Multifamily Apartment Developments – The Altman Companies***

##### ***The Altman Companies***

In November 2018, BBX Capital Real Estate acquired a 50% equity interest in the Altman Companies, a joint venture between BBXRE and Joel Altman ("JA") engaged in the development, construction, and management of multifamily apartment communities, for cash consideration of \$14.6 million, including \$2.3 million in transaction costs.

The Altman Companies is a fully integrated platform engaged in all aspects of the development process through its ownership of various operating companies that were previously owned and operated by JA. These companies and their predecessors have operated since 1968 and have developed and managed more than 25,000 multifamily units throughout the United States, including communities in Florida, Michigan, Illinois, Tennessee, Georgia, Texas, and North Carolina. The Altman Companies currently operates through the following companies:

- Altman Development Company ("ADC") – The Altman Companies owns 100% of ADC, which performs site selection and other predevelopment activities (including project underwriting and design), identifies development financing (which is typically comprised of a combination of internal and external equity and institutional debt), provides oversight of the construction process, and arranges for the ultimate sale of the projects upon stabilization. ADC enters into a development agreement with each joint venture that is formed to invest in development projects originated by the platform and earns a development fee for its services.
- Altman Management Company ("AMC") – The Altman Companies owns 100% of AMC, which performs leasing and property management services for the multifamily apartment communities developed by the Altman Companies prior to the ultimate sale of such projects. In certain cases, AMC also provides such services to apartment communities owned by third parties and certain affiliated entities. AMC enters into a leasing and property management agreement with each joint venture that is formed to invest in projects originated by the platform and earns a management fee for its services.
- Altman-Glenewenkel Construction ("AGC") – The Altman Companies owns 60% of AGC, which performs general contractor services for the multifamily apartment communities developed by the Altman Companies. AGC enters into a general contractor agreement with each joint venture that is formed to invest in projects originated by the platform and earns a general contractor fee for its services.

In addition to the fees earned by these companies, BBXRE and JA invest in the managing member of the joint ventures that are formed to invest in projects originated by the platform based on their relative ownership percentages in the Altman Companies. Such equity interests are typically entitled to a promoted equity interest in the projects to the extent that the external equity investors in such ventures receive agreed-upon returns on their investments.

The Altman Companies has historically incurred operating costs in excess of the fees earned from the projects, and as a result, earnings generated by the platform generally arise as a result of the ability to invest as the managing member and receive promoted equity interests in the projects.

Pursuant to the operating agreement of the Altman Companies, BBXRE will acquire an additional 40% equity interest in the Altman Companies from JA for a purchase price of \$9.4 million in January 2023, and JA can also, at his option or in other predefined circumstances, require the Company to purchase his remaining 10% equity interest in the Altman Companies for \$2.4 million. However, JA will retain his membership interests, including his decision making rights, in the managing member of any development joint ventures that are originated prior to the Company's acquisition of additional equity interests in the Altman Companies. In addition, in certain circumstances, BBXRE may acquire the 40% membership interests in AGC that are not owned by the Altman Companies for a purchase price based on prescribed formulas in the operating agreement of AGC.

In connection with its investment in the Altman Companies, BBXRE acquired interests in the managing member of seven multifamily apartment developments, including four developments in which BBXRE had previously invested as a non-managing member, for aggregate cash consideration of \$8.8 million.

In addition, as of December 31, 2019, BBXRE and JA have each contributed \$3.75 million to ABBX Guaranty, LLC, a joint venture established to provide guarantees on the indebtedness and construction cost overruns of new real estate joint ventures formed by the Altman Companies.

The following provides a description of BBXRE's various investments in multifamily apartment communities, many of which are investments in joint ventures with JA that were originated prior to BBXRE'S investment in the Altman Companies.

#### *Altis at Lakeline*

In December 2014, BBXRE invested \$5.0 million as one of a number of investors in a joint venture with JA to develop Altis at Lakeline, a 354 unit multifamily apartment community in Cedar Park, Texas. In November 2018, BBXRE also acquired approximately 50% of JA's membership interest in the joint venture for \$0.5 million. Construction commenced in 2015 and was completed during 2017. During the year ended December 31, 2019, the joint venture sold the project, and BBXRE recognized \$5.0 million of equity earnings and received \$9.3 million of distributions from the venture.

#### *Altis at Bonterra*

In December 2015, BBXRE invested in a joint venture with JA to develop Altis at Bonterra, a 314 unit multifamily apartment community in Hialeah, Florida. At the inception of the venture, BBXRE transferred land 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. In November 2018, BBXRE also acquired approximately 50% of JA's membership interest in the joint venture for \$1.4 million. Construction commenced in 2016 and was completed during 2017. During the year ended December 31, 2019, the joint venture sold the project, and BBXRE recognized \$29.2 million of equity earnings and received approximately \$46.0 million of distributions from the venture. Prior to the sale, BBXRE received approximately \$4.3 million of distributions from the venture during the year ended December 31, 2019 related to the operating profits of the joint venture.

#### *Altis at Shingle Creek*

In April 2016, BBXRE invested \$0.3 million as one of a number of investors in a joint venture with JA to develop Altis at Shingle Creek, a 356 unit multifamily apartment community in Orlando, Florida. During the year ended December 31, 2018, the joint venture sold the project, and BBXRE recognized \$3.4 million of equity earnings and received \$3.7 million of distributions from the venture.

#### *Altis at Grand Central*

In September 2017, BBXRE invested \$1.9 million as one of a number of investors in a joint venture with JA to develop Altis at Grand Central, a 314 unit multifamily apartment community in Tampa, Florida. In November 2018, BBXRE also acquired approximately 50% of JA's membership interest in the joint venture for \$0.6 million. Construction commenced in 2017 and is expected to be substantially completed during 2020.

#### *Altis at Promenade*

In December 2017, BBXRE invested \$1.0 million as one of a number of investors in a joint venture with JA to develop Altis at Promenade, a 338 unit multifamily apartment community in Tampa, Florida. In November 2018, BBXRE also acquired approximately 50% of JA's membership interest in the joint venture for \$1.2 million. Construction commenced in 2018 and was substantially completed during 2019. The 338 apartment units were approximately 40% leased as of December 31, 2019.

*Altis at Ludlam*

During 2018, BBXRE invested \$0.7 million with JA and another investor in a joint venture to acquire land, obtain entitlements, and fund predevelopment costs for a potential multifamily apartment development in Miami, Florida. During 2019, BBXRE invested an additional \$0.4 million in the joint venture to fund predevelopment costs. The joint venture expects to receive entitlements, close on permanent development financing, and commence construction during the first quarter of 2020.

*Altis at Preserve (Suncoast)*

During 2018, BBXRE invested \$1.9 million with JA in a joint venture to acquire land, obtain entitlements, and fund predevelopment costs for the development of Altis at Preserve (Suncoast), a 350 unit multifamily apartment community in Tampa, Florida. In 2019, the joint venture closed on its development financing and commenced construction, which is expected to be substantially completed in 2020. In connection with the closing, BBXRE and JA retained membership interests in the managing member of the joint venture and received distributions of a portion of their previous capital contributions based on the final development financing structure.

*Altis at Pembroke Gardens*

In November 2018, BBXRE acquired approximately 50% of JA's membership interest in a joint venture invested in Altis at Pembroke Gardens for \$1.3 million. Altis at Pembroke Gardens is a 280 unit multifamily apartment community in Pembroke Pines, Florida. Construction of the community was completed during 2017, and the 280 apartment units were approximately 95% leased as of December 31, 2019. The joint venture intends to seek to sell the project in 2020.

*Altis at Boca Raton*

In November 2018, BBXRE acquired approximately 50% of JA's membership interest in a joint venture invested in Altis at Boca Raton for \$1.9 million. Altis at Boca Raton is a 398 unit multifamily apartment community in Boca Raton, Florida. Construction of the community was completed during 2017, and the 398 apartment units were approximately 96% leased as of December 31, 2019. The joint venture intends to seek to sell the project in 2020.

*Altis at Wiregrass*

In November 2018, BBXRE acquired approximately 50% of JA's membership interest in a joint venture invested in Altis at Wiregrass for \$1.9 million. Altis at Wiregrass is a 392 unit multifamily apartment community in Tampa, Florida. Construction of the community was completed during 2018, and the 392 apartment units were approximately 91% leased as of December 31, 2019. The joint venture intends to seek to sell the project in 2020.

*Altis at Little Havana*

In June 2019, BBXRE invested \$0.8 million in a joint venture sponsored by the Altman Companies to develop Altis at Little Havana, a 224 unit multifamily apartment community in Miami, Florida. Construction commenced in 2019 and is expected to be substantially completed in 2021.

*Altis at Lake Willis (Vineland Point)*

In August 2019, BBXRE invested \$4.5 million in a joint venture sponsored by the Altman Companies to acquire land, obtain entitlements, and fund predevelopment costs for the development of a potential multifamily apartment community in Orlando, Florida. The joint venture expects to receive entitlements for the project, close on the capital to construct the project, and commence construction in 2020.

*Altis at Miramar East/West*

In October 2019, BBXRE invested \$2.5 million in a joint venture sponsored by the Altman Companies to develop Altis Miramar West, a 320 unit multifamily apartment community, and Altis Miramar East, a 330 unit multifamily apartment community, on two adjacent sites in Miramar, Florida. Construction commenced in 2019 and is expected to be substantially completed in 2021.

### *Rights to Joint Venture Distributions*

The operating agreements governing the joint ventures generally provide that theholders of the non-managing membership interests are entitled to distributions based on their pro-rata share of the capital contributions to the ventures until such members receive their aggregate capital contributions plus a specified return on their capital. After such members receive their contributed capital and the specified returns, distributions are based on an agreed-upon allocation of the remaining cash flows available for distribution, with the holders of the managing membership interests receiving an increasing percentage of the distributions. As BBXRE's investments in the above joint ventures include investments as both a non-managing member and a managing member, the Company's economic interest in the expected distributions from such ventures in many cases is not the same as its pro-rata share of its contributed capital in such ventures.

### *Single Family Developments*

#### *Beacon Lake Master Planned Development*

BBXRE 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, BBXRE is developing the land and common areas and selling the finished lots to third-party homebuilders who 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.

In 2017, BBXRE commenced land development and entered into purchase agreements with homebuilders for the 302 finished lots comprising Phase I of the project. During the years ended December 31, 2019 and 2018, BBXRE closed on the sale of all of the finished lots comprising Phase I to homebuilders (51 in 2019 and 251 in 2018) and recognized pre-tax profits of \$10.1 million in connection with such sales (\$2.4 million in 2019 and \$7.7 million in 2018).

BBXRE has commenced land development on the lots comprising Phase II of the project, which is expected to include approximately 400 single-family homes and 196 townhomes, and an additional 79 lots for single-family homes as part of Phase III of the project. BBXRE has entered into purchase agreements with homebuilders to sell developed lots for 422 single-family homes and all of the 196 townhomes, and closings on the sale of developed lots in Phase II to homebuilders commenced in January 2020.

BBXRE has financed a portion of the development costs for the project through the issuance of Community Development District Bonds. Under the terms of the purchase agreements with the homebuilders, in connection with the sale of the finished lots, BBXRE is required to repay a portion of the bonds with proceeds from such sales, while a portion of the bonds are required to be assumed by the homebuilders.

#### *Chapel Grove*

In October 2017, BBXRE 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 townhomes in Pembroke Pines, Florida. BBXRE is entitled to receive 46.75% 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, 2019, the joint venture closed on 114 townhomes, and BBXRE recognized \$3.0 million of equity earnings and received \$6.4 million of distributions from the venture. As of December 31, 2019, the joint venture had executed contracts to sell the remaining eleven townhomes.

#### *Sky Cove*

In June 2019, BBXRE invested \$4.2 million as one of a number of investors in a joint venture with Label & Co. to develop Sky Cove at Westlake, a residential community comprised of 204 single family homes in Loxahatchee, Florida. BBXRE is entitled to receive 26.25% 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 Label & Co., as the managing member, receiving an increasing percentage of distributions. The project commenced construction in 2019, and home closings are expected to commence in 2020.



## *Marbella*

As of December 31, 2019, BBXRE had invested \$6.0 million in a joint venture with CC Homes to develop Marbella residential community comprised of 158 single family homes in Miramar, Florida, and expects to invest an additional \$2.5 million in the venture in 2020. BBXRE is entitled to receive 70.00% 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 CC Homes, as the managing member, receiving an increasing percentage of distributions. The joint venture acquired the development land in 2019 and commenced site development in 2020.

## ***Retail and Mixed Use Developments***

### *PGA Pod B*

In 2013, BBXRE purchased for \$6.1 million PGA Design Center, a commercial property located in PGA Station in Palm Beach Gardens, Florida, with three existing buildings comprised of approximately 145,000 square feet of furniture space. Subsequent to the acquisition of the property, BBXRE invested in a joint venture with Stiles Development to redevelop the property. At the inception of the venture, BBXRE contributed the property (excluding certain residential development entitlements) to the joint venture in exchange for cash of \$2.9 million and a 40% interest in the venture. BBXRE transferred the retained residential development entitlements to PGA Pods A&C, which are adjacent parcels owned by BBXRE (see below for further discussion regarding these parcels).

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. During the year ended December 31, 2018, the joint venture closed on the sale of one of the buildings, and BBXRE recognized \$1.5 million of equity earnings from the venture. During the year ended December 31, 2019, the joint venture closed on the sale of the remaining two buildings and provided seller financing to the buyer for a portion of the sales price. As a result of the sale, BBXRE recognized \$2.8 million of equity earnings and received \$2.3 million of distributions from the venture.

### *PGA Pods A&C*

In 2014, BBXRE acquired land located in PGA Station in Palm Beach Gardens, Florida through foreclosure on a loan receivable in the legacy asset portfolio. BBXRE subsequently 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 the land and commenced land development with the intent of selling the developed land to third party developers.

During the year ended December 31, 2017, BBXRE closed on the sale of the land on which the hotel and medical office buildings were approved to be constructed to third party developers. During the year ended December 31, 2019, BBXRE closed on the sale of the remaining parcels, which were sold to the buyer of the commercial buildings sold by the PGA Design Center joint venture, as described above. BBXRE reinvested \$2.1 million of the proceeds in the PGA Lender joint venture, a joint venture formed with the PGA Design Center joint venture to invest in the seller financing provided to the buyer by the PGA Design Center joint venture.

### *Bayview*

In 2014, BBXRE invested in a joint venture with an affiliate of Procacci Development Corporation (“PDC”). At the inception of the venture, BBXRE and PDC each contributed \$1.8 million to the venture in exchange for a 50% interest. The joint venture acquired for \$8.0 million approximately three acres of real estate in Fort Lauderdale, Florida. 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, while the lease for the convenience store ends in March 2022. BBXRE anticipates that the property will be redeveloped into a mixed-use project in the future.

### *L03/212 Partners*

In 2019, BBXRE invested \$2.0 million as one of a number of investors in The Main Las Olas joint venture, which was formed to invest in the development of The Main Las Olas, a mixed-used project in downtown Fort Lauderdale, Florida that is planned to be comprised of an office tower with approximately 365,000 square feet of leasable area, a residential tower with approximately 341 units, and approximately 45,000 square feet of ground floor retail. As of December 31, 2019, BBXRE expects to invest an additional \$2.0 million in the venture as development progresses. The project is currently under construction and is anticipated to be substantially completed during the fourth quarter of 2020. BBX has executed an agreement with the joint venture to lease space in the office tower for its corporate headquarters (See Item 2 – Properties of this Annual Report for additional information).

## ***Operating Properties***

### ***RoboVault***

In 2013, the Company acquired RoboVault, a 155,000 square foot self-storage facility in Fort Lauderdale, Florida, through foreclosure on a loan receivable in the legacy asset portfolio. During the year ended December 31, 2019, BBXRE sold the facility for net proceeds of \$11.7 million and recognized a gain on the sale of real estate of \$4.8 million.

### ***Legacy Assets***

In addition to the above projects, BBXRE holds various legacy assets acquired in connection with the Company's sale of BankAtlantic in 2012, including loans receivable and real estate with an aggregate carrying amount of approximately \$22.3 million as of December 31, 2019. The majority of the legacy assets do not generate cash flows on a regular or predictable basis and are not expected to do so until the assets are monetized through loan repayments or transactions involving the sale, joint venture, or development of the underlying real estate.

In recent years, BBXRE has generated substantial profits from the legacy asset portfolio, as the majority of the loans receivable and foreclosed real estate assets within the portfolio were impaired in prior periods to their estimated fair values during the recession that began in 2007 and 2008 but were ultimately monetized by BBXRE following the subsequent recovery in the real estate market over the past several years. Although BBXRE is continuing its efforts to monetize the remaining assets within the portfolio, BBXRE has substantially completed the monetization of the portfolio and does not expect to generate substantial profits from the remaining assets in future periods.

## **BBX Sweet Holdings**

### ***Business Overview***

BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including IT'SUGAR, Hoffman's Chocolates, and Las Olas Confections and Snacks.

IT'SUGAR is a specialty candy retailer which operates approximately 100 retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations in over 25 states and Washington D.C., and its products include bulk candy, candy in giant packaging, and licensed and novelty items. IT'SUGAR has historically utilized a store model for its retail locations that requires a relatively low initial investment, with a goal of shorter payback periods and increased investment returns. However, as a result of trends in retail consumer traffic, IT'SUGAR is currently focused on opening and operating larger stores in select resort and entertainment locations which generally experience higher traffic and sales volume but require a higher initial investment. During 2019, IT'SUGAR continued to invest capital in these types of locations, including Grand Bazaar, a 6,000 square foot location in Las Vegas, Nevada that was opened in June 2019, and a 22,000 square foot, three story candy department store at American Dream, a 3 million square foot shopping and entertainment complex in New Jersey, that was opened in December 2019. In addition, IT'SUGAR is also continuing to evaluate its current retail locations where sales volumes may give rise to early lease termination rights and the potential opportunity to renegotiate lease terms and occupancy costs. For certain underperforming locations where IT'SUGAR does not have early lease termination rights, IT'SUGAR is evaluating potential opportunities to close or sublease such locations. In certain circumstances, IT'SUGAR may determine that it is in its best interest to incur costs to exit a location if the Company believes that the closure of such locations will improve IT'SUGAR's overall operating efficiencies and profitability over the long term.

BBX Sweet Holdings' other operations include Hoffman's Chocolates, a retailer of gourmet chocolates with retail locations in South Florida, and Las Olas Confections and Snacks, a manufacturer and wholesaler of chocolate and other confectionery products.

## ***Strategy***

BBX Sweet Holdings' business and operating strategy is focused on:

- Perfecting store model for larger store locations and optimizing existing store portfolio at IT'SUGAR;
- Developing creative and humorous product content at IT'SUGAR;
- Increasing customer engagement;
- Recruiting and retaining talented associates;
- Improving gross margin and profitability through process improvements and efficiencies and reductions in product and operating costs; and
- Maximizing industry partnerships.

## **Renin**

### ***Business Overview***

Renin is engaged in the design, manufacture, and distribution of sliding doors, door 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. In addition to its own manufacturing, Renin also sources various products and materials from China. Following BBX Capital's acquisition of Renin in 2013, Renin, which historically generated operating losses, has become profitable, generating trade sales of \$67.5 million and income before taxes of \$1.8 million for the year ended December 31, 2019.

Renin's products are sold through three channels in North America: retail, commercial, and direct installation in the greater Toronto area. Renin's retail channel currently comprises approximately 63% of its gross sales and includes big box retail customers such as Lowes, Home Depot, and Costco, while its commercial channel currently comprises approximately 26% of its gross sales and includes original equipment manufacturers and fabricators across North America. Renin's direct installation channel generates the remaining sales.

### ***Strategy***

Renin's business and operating strategy is focused on:

- Growing sales across all channels by delivering outstanding customer service and consistently developing innovative products;
- Improving gross margin by lowering manufacturing costs through productivity improvement;
- Reducing customer lead-times through better inventory planning and repatriation of domestic manufacturing balanced with global sourcing of finished goods; and
- Seeking to potentially acquire companies in complementary businesses.

## **Employees**

As of December 31, 2019, the Company and its subsidiaries had approximately 7,185 employees, including 5,873 employees at Bluegreen.

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, 2019, approximately 27 employees of Bluegreen were covered by two 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. In addition, approximately ten employees of a Canadian division of Renin are unionized with a collective bargaining agreement in place. Employees at Renin's Brampton manufacturing facility in Canada voted against unionization.

## **Competition**

The industries in which the Company's investments conduct business are very competitive, and the Company also faces substantial competition with respect to our investment activities from real estate investors and developers, 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.

Bluegreen competes with various high profile and well-established companies, 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 operate vacation ownership resorts directly, through subsidiaries or through strategic

relationships, include Marriott Vacations Worldwide Corporation, the Walt Disney Company, Hilton Grand Vacations, Wyndham Destinations, and Diamond Resorts International. Bluegreen also competes with numerous smaller owners and operators of vacation ownership resorts and alternative lodging options available to consumers through both traditional methods of delivery and new web portals and applications, including private rentals of homes, 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 Bluegreen's products and services as well as on distinguishing the quality, value, and efficiency of its products and services from those offered by its competitors. In Bluegreen's fee-based services business, Bluegreen typically competes with Hilton Grand Vacations and Wyndham Destinations. 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.

BBXRE invests in the development of multifamily apartment communities. Due to the historically strong performance of this class of asset within the real estate market, BBXRE is experiencing increased competition from other real estate investors and developers, which is increasing the cost of land and resulting in increased inventories of multifamily apartment communities in the markets in which BBXRE invests and operates, which can decrease market rental rates and increase the time required to lease and stabilize its developments.

Renin's products are primarily sold to large retailers and wholesalers, and it experiences intense competition from importers of foreign products.

Four unaffiliated companies in the confectionery industry currently account for the majority of the industry's revenues, reflecting significant concentration and competition in the industry in which BBX Sweet Holdings operates.

## **Regulation**

As a public company, the Company is 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, foreign environmental, zoning, consumer protection and other laws, rules and regulations, including those regarding the acquisition, marketing and sale of VOIs, as well as various aspects of Bluegreen's 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. The cost of complying with applicable laws and regulations may be significant, and while Bluegreen strives to be in compliance, Bluegreen may not at all times be successful. Any failure to comply with current or future applicable laws or regulations could have a material adverse effect on Bluegreen's results and operations.

Bluegreen's vacation ownership product is subject to various regulatory requirements, including state and local approvals. In most states, Bluegreen is required to file with the jurisdictions a detailed offering statement describing its business and all material aspects of the project and sale of VOIs with the designated state authority. In addition, when required by state law, Bluegreen provides its VOI purchasers with a public offering disclosure statement that contains, among other items, detailed information about the VOI product 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, which may include 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. 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, 2019, approximately 7% 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 based 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 telemarketing laws and other laws applicable to the marketing and sale of VOIs. See "Item 3 - Legal Proceedings."

See "Item 1A – Risk Factors" for a description of additional risks with respect to regulatory compliance.

## **Seasonality**

Bluegreen has historically experienced, and expects 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. Due to consumer travel patterns, Bluegreen typically sees more tours and experiences higher VOI sales during the second and third quarters.

BBX Sweet Holdings' businesses are subject to seasonal fluctuations in trade sales, which cause fluctuations in BBX Sweet Holdings' quarterly results of operations. Historically, IT'SUGAR has generated its strongest retail trade sales during the months from June through August, as well as during the month of December, when families are on vacation. BBX Sweet Holdings other operating businesses generate their strongest trade sales during the fourth quarter in connection with various holidays in the United States.

## **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**

***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 \$43.0 million during 2019 and \$40.4 million during 2018. During the fourth quarter of 2019, Bluegreen reduced its quarterly dividend from \$0.17 per share to \$0.13 per share. 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 and investments may reduce earnings, require it to obtain additional financing and expose it to additional risks.***

BBX Capital's business strategy has included investments in or acquisitions of operating companies, such as its 50% equity interest investment in the Altman Companies and its acquisitions of Renin, IT'SUGAR, and other businesses 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 seeks to make investments and acquisitions in companies that provide opportunities for growth, its investments or acquisitions 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 and investments. Acquisitions or investments will also expose BBX Capital to the risks of the businesses acquired or invested in. Acquisitions and investments entail numerous risks, including:

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

BBX Capital may not be able to integrate or profitably manage acquired businesses, including Renin, IT'SUGAR, and its other operating businesses or its investment in the Altman Companies, 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. Further, BBX Capital may not be able to monitor the day to day activities of its investments in joint ventures, and 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 may be 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 of such investments or acquisitions may require 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.

BBX Capital from time to time also pursues 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. There is no assurance that any such transactions, if pursued and consummated, will generate a profit or otherwise be advantageous to BBX Capital.

***BBX Capital 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 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.

***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 78% 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 granted to Mr. Alan Levan the right to vote his shares of Class B Common Stock so long as such Class B shares are beneficially owned by Mr. Abdo or his heirs, successors or assigns. Upon Mr. Alan Levan's death or disability, Jarett Levan, President of the Company, will succeed to Mr. Alan Levan's rights and obligations under the agreement with Mr. Abdo. 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, 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.

***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.***

BBX Capital's board of directors have declared regular quarterly cash dividends since June 2016 and has indicated its intention to declare regular quarterly dividends on BBX Capital's 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 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.

### **Bluegreen**

***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 and alternative lodging 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 our business;
- Bluegreen's ability to maintain, enhance, expand or achieve the benefits from its marketing arrangements and relationships;
- Changes in taxes and governmental regulations, including those that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- Costs and efforts associated with complying with applicable laws and regulations, and the costs and consequences of non-compliance;
- Risks related to the development or acquisition of resorts and inventory, including delays in, or cancellations of, planned or future resort development or inventory acquisition activities;
- Shortages of labor or labor disruptions;
- 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;
- Relationships with and the performance and financial condition of the third-party developers with whom Bluegreen does business;
- Relationships with Bluegreen's Vacation Club owners and HOAs;
- Changes in the supply and demand for Bluegreen's products and services;
- Lack of security over, or unauthorized access to, customer or Bluegreen's records;
- The increased presence and effort of "timeshare-exit" firms and their impact on borrower default rates;
- 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 adversely affect Bluegreen's ability to develop or acquire new resorts, 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, conditions affecting the vacation ownership industry 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 adverse weather or geopolitical conflicts, including if these or other factors adversely impact the availability of financing for Bluegreen or its 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. This includes risks relating to conditions that negatively shape public perception of Bluegreen resorts or of travel or the vacation ownership or hospitality industry generally, including travel-related accidents, disease outbreaks, whether in regions generally, at third party properties or at Bluegreen resorts (including reputational damage, remediation costs and other potential liability and adverse impact of any such outbreak at Bluegreen resorts). 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'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, as well as new cell phone technologies that automatically identify or block marketing vendor calls, could adversely affect Bluegreen's business. Further, jurisdictions are increasingly seeking to identify additional sources of tax revenue and results of audits of its tax returns or those of its subsidiaries may also 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, federal, state and local regulators may enact new laws and regulations that may adversely affect Bluegreen's results or require Bluegreen to substantially modify its business practices. Many states have adopted specific laws and regulations regarding the sale of VOIs. Many states, including Florida and South Carolina, where certain of Bluegreen resorts are located, extensively regulate VOI and timeshare related activities, including the creation and management of resorts, the marketing and sale of 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 Timesharing 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 secondary market sales, are 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 is authorized to market and sell VOIs in all locations at which Bluegreen marketing and sales activities 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 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 applicable regulations, these steps have increased and are expected to continue to increase 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 its 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." Technology advances, including new cellphone technologies that automatically identify or block marketing vendor calls, may also adversely impact Bluegreen's telemarketing efforts or otherwise cause Bluegreen to change its marketing strategy.

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, in the ordinary course of its business, consumers file complaints against Bluegreen. Bluegreen may be required to incur significant costs to resolve these complaints or enter into consents with regulators regarding its activities, including requiring the refund of all or a portion of the purchase price paid by the customer for the VOI. If Bluegreen is found to have not complied with

applicable federal, state and local laws and regulations, such violations may have adverse implications on Bluegreen, including rendering Bluegreen's VOI sales contracts void or voidable, negative publicity, potential litigation, and regulatory fines or other 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 business, 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 Bluegreen's 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 Bluegreen's 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 Bluegreen's 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 its lending and loan servicing operations.

***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 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 VOI sales, 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, including those associated with the coronavirus outbreak in the United States, may have similar effects or otherwise make obtaining additional and replacement external sources of liquidity more difficult and more costly, if available at all.

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 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, 2019, Bluegreen had \$10.3 million of indebtedness scheduled to become due during 2020. 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 be able to renew, extend or refinance all or any portion of its outstanding debt or otherwise obtain sufficient external sources of liquidity, in each case, on attractive terms, or at all. If Bluegreen is unable to do so, Bluegreen's liquidity and financial condition may be materially, adversely impacted.

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 of 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, third 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 result in an increase in 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.

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 breaches any of the representations and warranties Bluegreen made at the time Bluegreen sold the receivables. These agreements also often include terms providing for substantially all of Bluegreen's cash flow from its retained interest in the receivable portfolios sold to be paid to the parties who purchased the receivables from Bluegreen in the event of defaults or delinquencies by customers in excess of stated thresholds, or if other performance thresholds are not met.

***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 may limit 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 Bluegreen faces 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 \$3.4 million, based on balances as of December 31, 2019.

***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. Bluegreen suspended its corporate credit rating with Standard & Poor's rating services during 2019 as Bluegreen no longer used the corporate rating for any financings. However, specific securitization transactions continue to be reviewed by third-party rating agencies. If rating agencies were to downgrade 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 the ratings of bond classes in its securitizations, such ratings changes can occur without advance notice.

***There are risks associated with Bluegreen's strategic partnerships and arrangements.***

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, and is dependent upon these relationships in order to acquire new customers. VOI sales to prospects and leads generated by Bluegreen's marketing arrangement with Bass Pro accounted for approximately 13% and 14% of Bluegreen's VOI sales volume during the years ended December 31, 2019 and 2018, respectively. If Bluegreen's agreement with Bass Pro, 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 Bluegreen's marketing efforts. In addition, our business relationship with Bass Pro under the revised terms of our marketing agreement may not be as profitable as under the prior terms, or at all, or otherwise result in the benefits anticipated.

***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, 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, while sales to existing owners have increased recently, Bluegreen also continues to focus its marketing efforts on selling to new customers, which typically involves a relatively higher marketing cost compared to sales to existing owners. These efforts may result in increases in 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. In addition, Bluegreen may not be able to continue to increase or maintain its level of sales to existing owners.

***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 frames 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 or an increase in VOI cost, which could have a negative impact on Bluegreen's sales and results of operations. In addition, a decline in VOI supply and sales could result in a decrease in financing revenues that are generated by VOI sales and fee and rental revenues that are generated by Bluegreen's management services.

***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 successful or profitable, which would 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 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 while Bluegreen is considering increasing its development activities with the objective of increasing its margins and holding the notes receivable generated by those sales of VOIs. 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 "Great 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. When Bluegreen performs fee-based sales and marketing services, Bluegreen sells VOIs in resorts developed by third parties 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 meet 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, generally 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 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, or 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 costs or damage to physical assets or interruption of access to physical assets or operations resulting from an outbreak of contagious diseases, such as the recent coronavirus outbreak, or 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 any 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 forced to incur 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 relating to the management services it provides. Failure to resolve such disagreements may result in litigation and additional costs. 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.

***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 customers are not satisfied with the networks in which Bluegreen participate or our strategic alliances.***

Bluegreen believes that its participation in exchange networks and other strategic alliances and its Traveler Plus program make ownership of its VOIs more attractive by providing owners with the ability to take advantage of vacation experiences in addition to stays at Bluegreen resorts. Bluegreen'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, 2019, approximately 7% 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 resorts have been branded as part of Choice Hotels' Ascend Hotel Collection. Vacation Club owners can convert their Vacation Club points into Choice Privileges points. Choice Privileges points can be used for stays at Choice Hotels' properties. For a nominal annual fee and transactional fees, Vacation Club owners may also participate in Bluegreen's Traveler Plus program, which enables them to use points to access an additional 46 direct exchange resorts and for other vacation experiences such as cruises. 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 Bluegreen 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.

***If maintenance fees at Bluegreen's resorts and/or Vacation Club dues are required to be increased, Bluegreen's products could become less attractive, defaults could increase and Bluegreen's business could be harmed.***

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 and applicable regulations, 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 or could contribute to additional defaults.

***Bluegreen's strategic transactions and relationships 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 and relationships. 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 other operations effectively.

Acquisitions and new strategic relationships 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 and relationships 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 in connection with transactions; (vii) increased expenses associated with transactions or an acquisition and amortizing any acquired intangible assets; (viii) risks associated with any debt incurred in connection with the financing of transactions; and (ix) challenges in implementing uniform standards, controls, procedures and policies throughout an acquired business.

***Bluegreen is dependent on the managers of resorts not managed, owned or operated by Bluegreen 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 those resorts are not maintained in a manner consistent with Bluegreen's standards of quality, or Bluegreen's Vacation Club owners are otherwise dissatisfied with those resorts, 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.***

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 may compete 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.

***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.

#### **BBX Capital Real Estate**

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

From time to time BBXRE has entered into joint ventures which reduces the amount BBXRE is required to invest in the development of the 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, BBXRE has 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, BBXRE may be required to make significant expenditures, which may have an adverse effect on our operating results or financial condition. BBXRE has 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 fulfil its obligations. BBXRE has a substantial investment in the Altman Companies and related investments in Altis multifamily apartment joint ventures developed and managed by Altman Companies and Joel Altman (“JA”). Additionally, BBXRE has contributed \$3.8 million to a newly formed joint venture with JA that guarantees the indebtedness and construction cost overruns of new real estate joint ventures established by Altman Companies, which increases BBXRE’s risk of loss in connection with its real estate joint venture investments managed by JA and the Altman Companies.

***Investments by BBXRE in real estate developments directly or through joint ventures expose it 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 BBXRE’s 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;
- Availability and reasonable pricing of skilled labor;
- Availability and reasonable pricing of construction materials, such as lumber, framing, concrete and other building materials, including increases associated with tariffs;
- 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;
- Inventory of foreclosed homes negatively impacting selling prices;
- Mortgage loan interest rates;
- Availability of land in desirable locations at prices that result in an economically viable project;
- Availability, delays and costs associated with obtaining permits, approvals or licenses necessary to develop property;
- Construction defects and product liability claims;
- Risk of losses resulting from cost overrun guarantees in The Altman Companies’ sponsored projects that require unique high-density apartment developments in certain markets; 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 result in reduced prices and values for BBX Capital’s developments, including developments underlying its joint venture investments. These factors could also result in BBX Capital being unable to identify real estate inventory opportunities which meet its investment criteria. In addition, BBX Capital’s efforts to identify additional investment opportunities, including the development of multifamily apartment communities that will be owned over a long-term hold period the acquisition of existing multifamily apartment communities which can be renovated and re-leased pursuant to a “value add” strategy, and the pursuit of investment opportunities in additional geographic locations may not prove to be successful.

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

The legacy assets retained by us in the Company’s sale of BankAtlantic in 2012, the real estate developments managed by BBXRE, and the real estate being developed by joint ventures in which BBXRE has invested are primarily concentrated in Florida, and adverse changes to the Florida economy or the real estate market may negatively impact our earnings and financial condition. As a result, BBXRE is 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 BBXRE’s loans and result in asset impairments. Further, the State of Florida is subject to the risks of natural disasters, such as tropical storms and hurricanes, which may disrupt operations, adversely impact the ability of borrowers to timely repay their loans, adversely impact the value of any collateral securing loans and BBXRE’s 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.

***BBXRE's inability to finance its real estate developments through Community Development District Bonds or obtain performance bonds or letters of credit could adversely affect our results of operations and liquidity.***

BBXRE is often required to provide performance bonds and letters of credit under construction contracts or development agreements. BBXRE also obtained financing for the construction of infrastructure improvements for the first two phases of its Beacon Lake development in St. Johns County, Florida from the issuance of Community Development Bonds. BBXRE's ability to obtain performance bonds, letters of credit, or additional issuances of Community Development Bonds is dependent on BBXRE's credit rating, financial condition, and historical performance. If BBXRE is unable to obtain these bonds or letters of credit or cause the issuance of Community Development Bonds when required or desirable, our results of operations and liquidity could be adversely affected.

***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 assets are monetized below their current book values.***

As a result of the Company's sale of BankAtlantic in 2012, we maintain and manage a portfolio of foreclosed real estate and non-performing loans managed by BBXRE. As a consequence, our financial condition and results of operations will be dependent on BBXRE's ability to successfully manage and monetize these legacy assets. Further, the loan portfolio and real estate may not be easily salable in the event BBXRE decides 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 BBXRE consummate transactions involving the sale, joint venture or development of the underlying real estate or investments.

#### **BBX Sweet Holdings**

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

BBX Sweet Holdings confectionery businesses operate in highly competitive markets and compete with larger companies that have greater resources. BBX Sweet Holdings success 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 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 candy products could negatively affect operating results.

***IT'SUGAR's opening of new stores in high profile locations may reduce earnings, require additional financing and increase capital expenditures***

IT'SUGAR's business strategy is to open new stores in high profile locations. While IT'SUGAR seeks new store locations to provide opportunities for growth and earnings, IT'SUGAR may not be successful in identifying these opportunities or may open new stores which are not profitable. The expansion of stores could expose IT'SUGAR to additional debt financing, may not generate anticipated results, or may result in losses or future impairments, which can have an adverse effect on its results of operations and liquidity.

***IT'SUGAR's continued success is dependent on its ability to differentiate itself from other retailers in the confectionery industry.***

IT'SUGAR in the past has differentiated itself from other retailers through merchandise packaging, licenses, store environment, and celebrity endorsements. IT'SUGAR's results of operations and financial condition would be adversely affected if it is unable to obtain celebrity endorsements or licenses at a reasonable cost or to maintain its distinct appeal or if actions by its competitors reduce the effectiveness of its business model.

***BBX Sweet Holdings may experience product recalls or product liability claims associated with businesses in the confectionery industry.***

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 the reputation of our confectionery businesses, and discourage consumers from buying products, or cause production and delivery disruptions which would adversely affect our 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.

***BBX Capital's strategic initiatives in connection with its investment in companies in the confectionery industry may not be successful.***

During 2019, 2018 and 2017, BBX Sweet Holdings exited its candy manufacturing facilities in Utah and South Florida, consolidated its wholesale manufacturing operations in Orlando and centralized the executive management and back office activities in order to improve operating efficiencies and generate cost savings. These strategic initiatives may not be successful, and BBX Sweet Holdings may decide to exit the remaining manufacturing operations, which could result in additional losses and adversely affect our results of operations.

**Renin**

***Renin's retail sales are concentrated with big-box home center 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.

***Renin's operating results would be negatively impacted if it experiences increased commodity costs or a limited availability of commodities.***

Renin purchases various commodities to manufacture products, including steel, aluminum, glass and mirrors. Fluctuations in the availability and prices of these commodities could increase the cost to manufacture products. Further, increases in energy costs could increase production and transportation costs, each of which could negatively affect its operating results. Renin's 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 is 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 are sourced from China, Mexico, and other countries. Changes in United States trade practices, or tariffs levied on these imports, could significantly impact Renin's results of operations and financial condition.

**Other Risk Factors**

***BBX Capital or its subsidiaries may incur additional indebtedness.***

BBX Capital and its subsidiaries have in the past and may in the future incur significant amounts of debt, including at Bluegreen. Further, additional indebtedness could have important effects on BBX Capital, including that debt service requirements will reduce cash available for operations, future investment and acquisition opportunities and payments of dividends, and that increased leverage could impact

BBX Capital's liquidity and increase its vulnerability to adverse economic or market conditions. Additionally, agreements relating to additional indebtedness could contain financial covenants and other restrictions limiting BBX Capital's operations and its ability to pay dividends, borrow additional funds or acquire or dispose of assets, and expose BBX Capital to the risks of being in default of such covenants.

***The Company'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 the Company's operations or competitive position.***

The industries in which the Company does business, including 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. The Company 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 the Company 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 the Company has put in place or expects to put in place in the near term may become outdated, requiring new technology, and the Company may not be able to replace those systems as quickly as its competition or within budgeted costs and time frames. Further, the Company may not achieve the benefits that may have been anticipated from any new technology or system.

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

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

BBX Capital and its subsidiaries rely 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 and risks, 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. The Company 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. The Company also maintains personally identifiable information about its employees. The integrity and protection of that customer, employee and company data is critical to the Company and faulty decisions could be made if that data is inaccurate or incomplete. The regulatory environment as well as the requirements imposed on the Company by the payment card industry surrounding information, security and privacy is also increasingly demanding, in both the United States and other jurisdictions in which the Company operates. The Company's systems may be unable to satisfy changing regulatory and payment card industry requirements and employee and customer expectations, or may require significant additional investments or time in order to do so.

The Company's information systems and records, including those it maintains with its service providers, may be subject to security breaches, cyberattacks, 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 the Company or by a service provider could adversely impact the Company's reputation and could result in remedial and other expenses, fines or litigation. A breach in the security of the Company's information systems or those of its service providers could lead to an interruption in the operation of the Company's systems, resulting in operational inefficiencies and a loss of profits. 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.

***The tax impact 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 2019 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. The Tax Reform Act is complex, and the Company has made judgments and interpretations about the application of these changes in the tax laws. The interpretation and finalization of recently

proposed regulations and other interpretive guidance that may be issued by the Internal Revenue Service could differ from our interpretations of the Tax Reform Act which could result in the potential for the payment of additional taxes, penalties or interest that may adversely affect our results of operations for the fiscal years 2020 and beyond.

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

The Company maintains insurance coverage for liability, property and other risks with respect to its operations and activities. While the Company currently has comprehensive property and liability insurance policies with coverage features and insured limits that it believes are customary, market forces beyond the Company'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 the Company's ability to maintain insurance coverage and deductibles at acceptable costs. There is a limit as well as various sub-limits on the amount of insurance proceeds the Company will receive in excess of applicable deductibles. 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 the Company'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 the Company carries may not be sufficient to pay the full market value or replacement cost of the affected property or in some cases may not provide a recovery for any part of a loss.

If an insurable event occurs that affects more than one of the Company's properties, the claims from each affected property may be considered together to determine whether the individual 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. As a result, the Company could lose some or all of the capital it has invested in a property, as well as the anticipated future revenue opportunities from the property. Further, the Company could remain obligated under guarantees or other financial obligations related to a property. In addition, with respect to Bluegreen, 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 the Company's financial condition and operating results.***

In the ordinary course of business, the Company is subject to litigation and other legal and regulatory proceedings, which result in significant expenses and devotion of time and the Company may agree to indemnify third parties or its strategic partners from damages or losses associated with such risks. In addition, litigation is inherently uncertain, and adverse outcomes in the litigation and other proceedings to which the Company is or may be subject could adversely affect its financial condition and operating results.

Bluegreen engages third-party contractors to construct its resorts, and BBXRE engages third-party contractors in its developments. However, Bluegreen's and BBXRE's respective customers may assert claims against Bluegreen and BBXRE 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 and BBXRE 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 which in most instances are very difficult to predict, could adversely affect the Company's liquidity, financial condition and operating results.

***BBX Capital and its subsidiaries are subject to environmental laws related to their real estate and timeshare activities including claims with respect to mold or hazardous or toxic substances, which could have a material adverse impact on our financial condition and operating results.***

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 presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or lease real estate or to borrow money using such real estate or receivables generated from the sale of such property as collateral. Noncompliance with environmental, health or safety requirements may require us to cease or alter operations at one or more of our properties. Further, we 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 our properties. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial.

***The Company's business may be adversely impacted by negative publicity, including information spread through social media.***

The proliferation and global reach of social media continues to expand rapidly and could cause the Company to suffer reputational harm. The continuing evolution of social media presents new challenges. Negative posts or comments about the Company, the properties it manages or its brands on any social networking or user-generated review website, including travel and vacation property websites and blog sites, could affect consumer opinions of the Company and its products, and the Company cannot guarantee that it will timely or adequately redress such instances.

***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.

***Changes to and replacement of the LIBOR benchmark interest rate could adversely affect our results of operations and liquidity.***

In July 2017, the Financial Conduct Authority (the regulatory authority over LIBOR) stated they will plan for a phase out of regulatory oversight of LIBOR interest rate indices after 2021 to allow for an orderly transition to an alternate reference rate. The Alternative Reference Rates Committee (ARRC) has proposed that the Secured Overnight Financing Rate (SOFR) is the rate that represents best practice as the alternative to LIBOR for promissory notes or other contracts that are currently indexed to LIBOR. The ARRC has proposed a market transition plan to SOFR from LIBOR and organizations are currently working on transition plans as it relates to derivatives and cash markets exposed to LIBOR. The Company currently has \$177.1 million of LIBOR indexed junior subordinated debentures and \$78.6 million of LIBOR indexed receivable-backed notes payable and \$147.6 million of LIBOR indexed lines of credit and notes payable that mature after 2021. Changes in the method of calculating LIBOR, or the replacement of LIBOR with SOFR or another alternative rate or benchmark, may adversely affect interest rates and result in high borrowing costs, which could adversely affect the Company's results of operations and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks.

***Public health risks such as the recent coronavirus outbreak could have a material adverse impact on our financial condition and operating results.***

Our businesses could be materially and adversely affected by widespread public health risks, including the recent outbreak of the coronavirus which may, among other things, cause disruptions in our supply chains and the demand for our products. Disruptions in supply chains may impact the operations and results of certain of our businesses, including Renin, which has products drop shipped from Asia; the Altman Companies, which utilizes construction materials from outside the United States; and BBX Sweet Holdings, which sources confections and other products, including cacao, globally. To the extent the impact of the coronavirus continues or worsens, our businesses may have difficulty obtaining the materials necessary for the production and packaging of their products and factories which produce products may remain closed for sustained periods of time. A widespread coronavirus outbreak in the United States could cause a decline in the level of leisure travel and Bluegreen's liquidity will be adversely impacted if there is a tightening of credit or instability in the financial markets, which may adversely affect the number of marketing guests at Bluegreen resorts, resulting in a significant decline in revenues or the closure of resorts. While it is too early to gauge the likely duration or ultimate impact, package sales have declined and trip cancellations have increased since the coronavirus outbreak in the United States. There is no assurance that Bluegreen will be able to finance or sell receivables in the term securitization market on acceptable terms or at all. In addition, our businesses may be impacted by disruptions, which may include, among other things, a decrease in sales associated with traffic, or the closure of stores or other retail or high-traffic locations or malls where our businesses have marketing activities. In addition, candy sales may be adversely impacted by public health concerns. Further, our businesses could be disrupted, and their results adversely impacted, if employees have, or are suspected of having, the coronavirus, as this could require the closure of stores or facilities or for some or all of the employees in a location to be quarantined. The extent to which the coronavirus or any public health issue may impact our results of operations and financial condition cannot be predicted, and will depend on future developments and conditions which are highly uncertain, including the ultimate geographic spread of the coronavirus, the severity of the coronavirus, the duration of the outbreak, and actions taken by governmental authorities to contain the coronavirus or address its impact.

***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 condition 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 long-lived assets, 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 long-lived assets, 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.

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

None.

## **ITEM 2. PROPERTIES**

BBX Capital's principal executive office 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 February 28, 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. BBX Capital has executed a lease for a new principal executive office located at 201 East Las Olas Boulevard, Fort Lauderdale, Florida, 33301, and expects to relocate its office upon the delivery of the new space during the first quarter of 2021. The lease agreement for the new principal executive office has an initial term of 10 years and provides the Company with the right to renew the terms of the lease for three additional terms of five years following the initial term.

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, 2019, Bluegreen also maintained sales offices at or near 26 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.

BBX Sweet Holdings maintains certain executive offices at the Company's principal executive office and also maintains a principal executive office for IT'SUGAR at 3155 Southwest 10<sup>th</sup> Street, Deerfield Beach, Florida that is occupied under a lease with an expiration date of October 31, 2024. BBX Sweet Holdings operates approximately 100 IT'SUGAR retail locations in over 25 states and Washington D.C. which are subject to leases that expire between 2020 and 2030 and seven Hoffman's Chocolates retail locations in South Florida which are subject to leases that expire between 2020 and 2026. BBX Sweet Holdings also operates a manufacturing facility in Orlando, Florida which is subject to a lease that expires in 2020, subject to four one-year renewals that may be exercised by the Company, and leases a manufacturing facility in Utah which is subject to a lease that expires in 2023 and has been subleased by the Company. BBX Sweet Holdings also owns a manufacturing facility in Greenacres, Florida.

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, 2022 and December 31, 2024, respectively.

BBX Capital has one lease associated with a restaurant in Palm Beach County acquired through foreclosure with an expiration date in 2030.



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

#### **BBX Capital**

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.

#### ***BBX Capital Litigation***

There were no material pending legal proceedings against BBX Capital or its subsidiaries excluding Bluegreen as of December 31, 2019.

#### **Bluegreen**

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 its other business activities. Bluegreen is also subject to certain matters relating to the Bluegreen Communities' business, substantially all assets of which were sold 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.

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

Commencing in 2015, it came to Bluegreen's attention that Bluegreen's 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 exit firms and 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 exit firms 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 8.7% in 2019. Bluegreen also estimates that approximately 12.6% of the total delinquencies on its VOI notes receivable as of December 31, 2019 related to VOI notes receivable subject to this issue. Bluegreen has in a number of cases pursued, and Bluegreen may in the future pursue, legal action against the VOI owners, and in certain circumstances against the exit firms. See the "Totten" case filed in December 2018 and the "Montgomery" case filed in November 2019, described below.

#### ***Bluegreen Litigation***

*Stephen Potje, Tamela Potje, Sharon Davis, Beafus Davis, Matthew Baldwin, Tammy Baldwin, Arnor Lee, Angela Lee, Gretchen Brown, Paul Brown, Jeremy Estrada, Emily Estrada, Michael Oliver, Carrie Oliver, Russell Walters, Elaine Walters, and Mike Ericson v. Bluegreen Corporation, Case No.: 2018CA004782, 15<sup>th</sup> Judicial Circuit Court, Palm Beach County, Florida*

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, Michael Oliver, Carrie Oliver, Russell Walters, Elaine Walters, and Mike Ericson, individually and on behalf of all other similarly situated, filed a purported class action 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 alleged the making of false representations in connection with 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 and the ability to roll over unused points, and that annual maintenance fees would not increase. The purported class action lawsuit was dismissed without prejudice after mediation. However, on or about April 24, 2018, plaintiffs re-filed their individual claims in Palm Beach County Circuit Court. Subsequently on October 15, 2019, the Court entered an order granting Bluegreen's summary judgement and dismissed all claims. Plaintiffs are appealing the summary judgement order.

*Oscar Hernandez, individually, and on behalf of other members of the general public similarly situated; Estella Michael, individually, and on behalf of other members of the general public similarly situated, vs. Bluegreen Vacations Unlimited, Inc. an unknown business entity; and DOES 1 through 100, inclusive, Case No. CIVDS1804956, San Bernardino Superior Court, California*

On February 28, 2018, Oscar Hernandez and Estella Michael filed a purported class action litigation in San Bernardino Superior Court against BVU. The central claims in the complaint, as amended during June 2018, include alleged failures to pay overtime and wages at termination and to provide meal and rest periods, as well as claims relating to non-compliant wage statements and unreimbursed business

expenses; and a claim under the Private Attorney's General Act. Plaintiffs sought to represent a class of approximately 660 hourly, non-exempt employees who worked in the state of California since March 1, 2014. In April 2019, the parties mediated and agreed to settle the matter for an immaterial amount. It is expected that the court will approve the settlement and the dismissal of the lawsuit after the settlement documents are executed.

*Melissa S. Landon, Edward P. Landon, Shane Auxier and Mu Hpare, on behalf of themselves and all others similarly situated v. Bluegreen Vacations Unlimited, Inc. and Bluegreen Vacations Corporation, Case No. 18-cv-994, United States District Court, Eastern District of Wisconsin*

On June 28, 2018, Melissa S. Landon, Edward P. Landon, Shane Auxier and Mu Hpare, individually and on behalf of all others similarly situated, filed a purported class action lawsuit against the Company and BVU asserting claims for alleged violations of the Wisconsin Timeshare Act, Wisconsin law prohibiting illegal referral selling, and Wisconsin law prohibiting illegal attorney's fee provisions. Plaintiffs' allegations include that Bluegreen failed to disclose the identity of the seller of real property at the beginning of its initial contact with the purchaser; that Bluegreen misrepresented who the seller of the real property was; that Bluegreen misrepresented the buyer's right to cancel; that Bluegreen included an illegal attorney's fee provision in the sales document(s); that Bluegreen offered an illegal "today only" incentive to purchase; and that Bluegreen utilized an illegal referral selling program to induce the sale of VOIs. Plaintiffs seek certification of a class consisting of all persons who, in Wisconsin, purchased from Bluegreen one or more VOIs within six years prior to the filing of this lawsuit. Plaintiffs seek statutory damages, attorneys' fees and injunctive relief. Bluegreen moved to dismiss the case, and on November 27, 2019, the court issued a ruling granting the dismissal in part. Bluegreen has answered the remaining claims. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

*Bluegreen Vacations Unlimited, Inc. and Bluegreen Vacations Corporation v. Totten Franqui Davis & Burk, LLC et al., Case No. 6:18-02188-RBD-DCI, United States District Court for the Middle District of Florida, Orlando Division*

On December 21, 2018, Bluegreen and BVU filed a lawsuit against timeshare exit firm Totten Franqui and certain other affiliated timeshare exit companies ("TPEs"). In the complaint, Bluegreen argues that through various forms of deceptive advertising, as well as inappropriate direct contact with Bluegreen's VOI owners, the TPEs make false statements about Bluegreen and provide misleading information to the VOI owners. Bluegreen also believes that the TPEs induce Bluegreen's VOI owners to breach their contracts and stop making payments to Bluegreen, which typically results in a default on the VOI note and termination of the VOI. Thereafter, the TPEs, despite often times doing no more than encouraging non-payment, claim that they "helped" the consumer "exit" their timeshare contract. Bluegreen believes that all of this results in the consumer paying fees to the TPEs in exchange for illusory services. Bluegreen has asserted claims under the Lanham Act, as well as tortious interference with contractual relations, civil conspiracy to commit tortious interference and other claims. During the course of the litigation, the TPEs and Totten Franqui filed for bankruptcy, which resulted in the litigation being stayed. The bankruptcy judge has appointed an independent trustee to handle the estate of the debtors and Bluegreen has been in discussions with the bankruptcy trustee about a possible settlement. Bluegreen intends to assert all of its legal rights in the bankruptcy case.

*Bluegreen Vacations Unlimited, Inc. and Bluegreen Vacations Corporation v. The Montgomery Law Firm, LLC et al., Case No. 1:19-cv-24704, United States District Court for the Southern District of Florida*

On November 13, 2019, Bluegreen filed a lawsuit against timeshare exit firm The Montgomery Law Firm, and certain of its affiliates ("TPEs"). In the complaint, Bluegreen alleged that the TPEs, through various forms of deceptive advertising, as well as inappropriate direct contact with VOI owners, made false statements about Bluegreen and provided misleading information to VOI owners. The TPEs have encouraged nonpayment by consumers and exacted fees for doing so. Bluegreen believes the consumers are paying fees to the TPEs in exchange for illusory services. Bluegreen has asserted claims against the TPEs under the Lanham Act, as well as tortious interference with contractual relations, civil conspiracy to commit tortious interference and other claims.

*Shehan Wijesinha, individually and on behalf of all others similarly situated, v. Bluegreen Vacations Unlimited, Inc., Case No. 19CV20073, United States District Court for the Southern District of Florida*

On January 7, 2019, Shehan Wijesinha filed a purported class action lawsuit alleging violations of the Telephone Consumer Protection Act (the "TCPA"). It is alleged that BVU called plaintiff's cell phone for telemarketing purposes using an automated dialing system, and that plaintiff did not give BVU his express written consent to do so. Plaintiffs seek certification of a class comprised of other persons in the United States who received similar calls from or on behalf of BVU without the person's consent. Plaintiff seeks monetary damages, attorneys' fees and injunctive relief. Bluegreen believes the lawsuit is without merit and intend to vigorously defend the action. On July 15, 2019, the court entered an order staying this case pending a ruling from the Federal Communications Commission clarifying the definition of an automatic telephone dialing system under the TCPA and the decision of the Eleventh Circuit in a separate action brought against a VOI company by a plaintiff alleging violations of the TCPA. On January 27, 2020, the Eleventh Circuit issued a ruling consistent with BVU's position, but the case currently remains stayed.

*Debbie Adair et al. v. Bluegreen Vacations Unlimited, Inc. et al., Case No. 19-1-003, Chancery Court for the Fourth Judicial District for Sevier County, Tennessee*

On January 7, 2019, Debbie Adair and thirty-four other timeshare purchasers filed a lawsuit against BVU and Bass Pro alleging violations of the Tennessee Consumer Protection Act, the Tennessee Time-share Act, the California Time-Share Act, fraudulent misrepresentation for failure to make certain required disclosures, fraudulent inducement for inducing purchasers to remain under contract past rescission, unauthorized practice of law, civil conspiracy, unjust enrichment, and breach of contract. Plaintiffs seek rescission of their contracts, money damages, including statutory treble damages, or in the alternative, punitive damages in an amount not less than \$0.5 million. Bluegreen has filed a motion to dismiss, which is pending. Bluegreen has agreed to indemnify Bass Pro with respect to the claims brought against Bluegreen in this proceeding. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

*Eddie Boyd et al. v. Bluegreen Vacations Unlimited, Inc. et al., Case No. 19CT-CC00126, Circuit Court of Christian County, Missouri*

On July 18, 2019, Plaintiffs filed a petition alleging that BVU and its co-defendants violated the Missouri Merchandise Practices Act for allegedly making false statements and misrepresentations with respect to the sale of VOIs. Plaintiffs further have filed a purported class action allegation that BVU's charging of an administrative processing fee constitutes the unauthorized practice of law. Plaintiffs seek monetary damages, attorneys' fees and injunctive relief. Bluegreen has moved to dismiss the petition. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

*Termination of Manhattan Club Purchase and Sale Agreement*

On March 15, 2018, BVU entered into an Agreement for Purchase and Sale of Assets ("Purchase and Sale Agreement") with T. Park Central, LLC, O. Park Central, LLC, and New York Urban Ownership Management, LLC (collectively "New York Urban"), which provided for BVU's purchase of The Manhattan Club inventory over a number of years and the assumption of the management contract with The Manhattan Club HOA anticipated to occur in 2021. On October 7, 2019, New York Urban initiated arbitration proceedings against BVU alleging that The Manhattan Club HOA (of which BVU is a member) was obligated to pay an increased management fee to a New York Urban affiliate and that this higher amount would be the benchmark for BVU's purchase of the management contract under the Purchase and Sale Agreement. New York Urban also sought damages in the arbitration proceedings in excess of \$10 million for promissory estoppel and tortious interference. BVU denied New York Urban's claims and terminated the Purchase and Sale Agreement and the related Security Agreement based on, among other things, New York Urban prematurely initiating arbitration in violation of the Purchase and Sale Agreement. On November 25, 2019, New York Urban sent its own Notice of Termination of the Purchase and Sale Agreement and a separate letter containing an offer to compromise if BVU resigned its position on the Manhattan Club HOA board and permitted New York Urban to enforce its rights under the Security Agreement. On November 29, 2019, BVU accepted the offer. BVU has provided New York Urban with resignations of its members on the Manhattan Club HOA board consistent with the parties' settlement agreement and believes it has fulfilled all of its legal obligations under the settlement.

#### **ITEM 4. MINE SAFETY DISCLOSURE**

Not Applicable.

## **PART II**

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

BBX Capital'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**

The Company's Class A Common Stock trades on the New York Stock Exchange ("NYSE") under the ticker symbol "BBX," and the Company's Class B Common Stock is quoted on the OTCQX Best Market under the ticker symbol "BBXBT."

On March 2, 2020, there were approximately 343 record holders of our Class A Common Stock and approximately 128 record holders of our Class B Common Stock.

#### **Issuer Purchases of Equity Securities**

On June 13, 2017, BBX Capital's board of directors approved a share repurchase program which 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.

As of December 31, 2019, 4,750,483 shares of the Company's Class A Common Stock have been repurchased for approximately \$25.4 million under the June 2017 share repurchase program, of which 321,593 shares were repurchased in 2017 for an aggregate purchase price of \$2.4 million, 1,200,000 shares were repurchased in 2018 for an aggregate purchase price of \$7.6 million, and 3,228,890 shares were repurchased in 2019 for an aggregate purchase price of \$15.4 million.

From October 1, 2019 through October 5, 2019, a total of 748,357 shares of the Company's Class B Common Stock and 222,848 of the Company's Class A 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 share repurchases during the quarter ended December 31, 2019, is set forth in the table below:

| Period                         | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|--------------------------------------|----------------------------------|--|--|
| October 1 - October 31, 2019   | 971,205 <sup>(1)</sup>               | \$4.67                           | -  | 1,678,868 shares (or approximately \$16,142,936)   |
| November 1 - November 30, 2019 | 350,000 <sup>(2)</sup>               | \$4.76                           | 350,000  | 1,328,868 shares (or approximately \$14,477,914)   |
| December 1 - December 31, 2019 | 1,079,351 <sup>(2)</sup>             | \$4.55                           | 1,079,351  | 249,517 shares (or approximately \$9,566,153)  |
| Total                          | 2,400,556                            | \$4.63                           | 1,429,351  | 249,517 shares (or approximately \$9,566,153)  |

(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 2019 and December 2019 were made under the June 2017 share repurchase program.

In April 2018, BBX Capital completed a cash tender offer pursuant to which it purchased and retired 6,486,486 shares of its Class A Common Stock at a purchase price of \$9.25 per share for an aggregate purchase price of approximately \$60.1 million, inclusive of acquisition costs.

### 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, 2019:

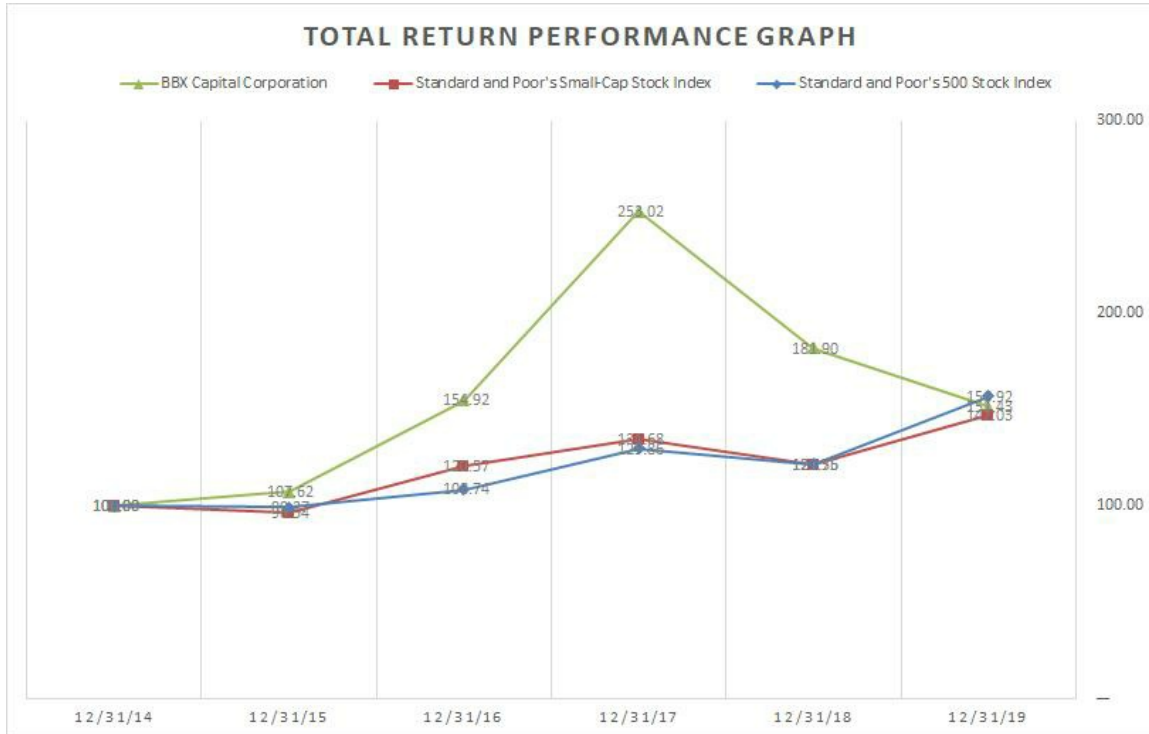
| Plan category  | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants or Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants or Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Outstanding Options, Warrants, or Rights) <sup>(1)</sup> |
|--|--|--|--|
| Equity compensation plans approved by security holders     | —  | —  | 2,817,776  |
| Equity compensation plans not approved by security holders | —  | —  | —  |
| Total  | —  | —  | 2,817,776  |

(1) In January 2020, the Company's Compensation Committee of the board of directors awarded 2,442,503 restricted shares of the Company's Class A 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 375,273 shares of Class A Common Stock.

### 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, 2014.

|   |    | 12/31/14 | 12/31/15 | 12/31/16 | 12/31/17 | 12/31/18 | 12/31/19 |
|---|----|----------|----------|----------|----------|----------|----------|
| BBX Capital Corporation                   | \$ | 100.00   | 107.62   | 154.92   | 253.02   | 181.90   | 151.43   |
| Standard and Poor's Small-Cap Stock Index |    | 100.00   | 96.54    | 120.57   | 134.68   | 121.55   | 147.03   |
| Standard and Poor's 500 Stock Index       |    | 100.00   | 99.27    | 108.74   | 129.86   | 121.76   | 156.92   |



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 2019, 2018 and 2017 and the selected consolidated statements of financial conditions as of December 31, 2019 and 2018 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 2016 and 2015 and the selected consolidated statements of financial condition as of December 31, 2017, 2016 and 2015 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. In addition, the selected historical consolidated statements of operations for fiscal years 2017 and 2016 and the selected consolidated statements of financial condition as of December 31, 2017 and 2016 have been updated to reflect the impact of the adoption of ASU 2014-09 and ASU 2017-05, while the selected historical consolidated statements of operations for fiscal year 2015 and the selected consolidated statement of financial condition as of December 31, 2015 have not been updated to reflect the adoption of these standards. As a result, the financial data presented for such periods is not comparable with respect to the application of these standards.

|  | For the Years Ended December 31,                  |          |         |          |         |
|--|---|----------|---------|----------|---------|
|  | 2019  | 2018     | 2017    | 2016     | 2015    |
|  | (Dollars in thousands, except for per share data) |          |         |          |         |
| <b>Statements of Operations Data:</b>                                    |   |          |         |          |         |
| Total revenues   | \$ 946,871  | 945,898  | 868,769 | 819,602  | 740,993 |
| Total cost and expenses  | 936,015   | 874,423  | 789,317 | 755,564  | 676,971 |
| Equity in earnings (loss) from unconsolidated real estate joint ventures | 37,898  | 14,194   | 12,541  | 12,178   | (1,565) |
| Other income   | 82  | 1,695    | 801     | 2,551    | 3,264   |
| Foreign exchange (loss) gain   | (75)  | 68       | (193)   | 219      | (1,038) |
| Income before income taxes   | 48,761  | 87,432   | 92,601  | 78,986   | 64,683  |
| (Provision) benefit for income taxes <sup>(1)</sup>                      | (16,658)  | (31,639) | 9,702   | (36,390) | 76,596  |
| Net income   | 32,103  | 55,793   | 102,303 | 42,596   | 141,279 |
| Less: Net income attributable to noncontrolling interests                | 14,412  | 20,691   | 18,378  | 13,166   | 18,805  |
| Net income attributable to shareholders                                  | \$ 17,691   | 35,102   | 83,925  | 29,430   | 122,474 |
| <b>Common Share Data <sup>(2)</sup></b>                                  |   |          |         |          |         |
| <b>Basic earnings per share of common stock:</b>                         | \$ 0.19   | 0.37     | 0.85    | 0.34     | 1.41    |
| <b>Diluted earnings per share of common stock:</b>                       | \$ 0.19   | 0.36     | 0.81    | 0.34     | 1.40    |
| Basic weighted average number of common shares outstanding               | 92,628  | 95,298   | 98,745  | 86,902   | 87,022  |
| Diluted weighted average number of common shares outstanding             | 93,654  | 97,860   | 103,916 | 87,492   | 87,208  |
| <b>Cash dividends declared per common share <sup>(3)</sup>:</b>          | \$ 0.050  | 0.040    | 0.030   | 0.015    | —       |
| <b>Book value per share <sup>(4)</sup>:</b>                              | \$ 6.01   | 5.90     | 5.88    | 4.76     | 4.46    |
| <b>Fully Diluted book value per share <sup>(5)</sup>:</b>                | 5.84  | 5.70     | 5.63    | 4.32     | 4.21    |

**As of December 31,**

|  | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

(Dollars in thousands)

**Statements of Financial Condition Data:**

|                             |            |           |           |           |           |
|-----------------------------|------------|-----------|-----------|-----------|-----------|
| Notes receivable            | \$ 449,162 | 439,167   | 426,858   | 425,800   | 415,598   |
| VOI Inventory               | 346,937    | 334,149   | 281,291   | 238,534   | 220,211   |
| Total assets <sup>(7)</sup> | 1,790,971  | 1,705,020 | 1,605,681 | 1,437,290 | 1,340,960 |
| Borrowings <sup>(6)</sup>   | 748,800    | 796,243   | 700,646   | 701,146   | 675,391   |
| Shareholders' equity        | 549,795    | 549,620   | 585,468   | 466,158   | 376,826   |
| Noncontrolling interests    | 90,275     | 87,988    | 82,054    | 41,609    | 106,080   |
| Total equity <sup>(7)</sup> | 640,070    | 637,608   | 667,522   | 507,767   | 482,906   |

- (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 increasing its ownership in BCC to 81% during 2015.
- (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 years ended December 31, 2019, 2018 and 2017, the Company declared quarterly cash dividends of \$0.0125, \$0.01 and \$0.0075 per share, respectively, 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 shares of Class A and Class B Common Stock 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 shares of Class A and Class B Common Stock outstanding at year-end and the number of unvested restricted stock awards and exercisable stock options outstanding (without assuming any buybacks of such potentially dilutive shares under the treasury method).
- (6) Borrowings consist of the carrying amount of notes payable and other borrowings, receivable-backed notes payable, and junior subordinated debentures.
- (7) Total assets as of December 31, 2019 includes \$109.4 million of operating lease assets, while total assets in the prior periods presented do not include operating lease assets. Total equity as of December 31, 2019 includes a cumulative effect adjustment of \$2.2 million, net of income taxes, associated with a right-of-use asset impairment loss recognized upon the adoption of the new lease accounting standard on January 1, 2019. Based on the transition guidance elected by the Company upon the adoption of the new lease accounting standard, comparable prior periods are reported in accordance with Topic 840, which did not require the recognition of right-of-use assets and lease liabilities related to operating leases. See Note 2 – Summary of Significant Accounting Policies under Item 8 included in this report for further discussion related to the adoption of the new lease accounting standard.



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

*The following discussion and analysis should be read together with the Company's audited consolidated financial statements and related notes included in Item 8 of this Annual Report on Form 10-K. The following discussion contains forward-looking statements, including those that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, without limitation, those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."*

*The Management Discussion and Analysis of this Form 10-K discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Other than discussion related to the Company's BBX Sweet Holdings reportable segment, discussions of 2017 items and year-to-year comparisons between 2018 and 2017 are not included in this Form 10-K and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Such reports and other information filed by the Company with the SEC are available free of charge on our website at [www.bbxcapital.com](http://www.bbxcapital.com) or with the SEC at [www.sec.gov](http://www.sec.gov).*

### **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 whose principal investments are Bluegreen Vacations Corporation ("Bluegreen Vacations" or "Bluegreen"), BBX Capital Real Estate LLC ("BBX Capital Real Estate" or "BBXRE"), Renin Holdings, LLC ("Renin"), and BBX Sweet Holdings, LLC ("BBX Sweet Holdings").

The Company's goal is to build long-term shareholder value. Since many of the Company's assets do not generate income on a regular or predictable basis, the Company's objective continues to be long-term growth as measured by increases in book value and intrinsic value over time. In addition, the Company's goal is to streamline its investment verticals so that the Company can be more easily analyzed and followed by the marketplace. The Company regularly reviews the performance of its investments and, based upon economic, market, and other relevant factors, considers transactions involving the sale or disposition of all or a portion of its assets, investments, or subsidiaries. These include, among other alternatives, a sale or spin-off of its assets, investments, or subsidiaries or transactions involving public or private issuances of debt or equity securities which decrease or dilute the Company's ownership interest in such investments.

As of December 31, 2019, the Company had total consolidated assets of approximately \$1.8 billion and shareholders' equity of approximately \$549.8 million. Net income attributable to shareholders for the years ended December 31, 2019, 2018, and 2017 was approximately \$17.7 million, \$35.1 million, and \$83.9 million, respectively.

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

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

The following summarizes key financial highlights for the year ended December 31, 2019 compared to the same 2018 period:

- Total consolidated revenues were \$946.9 million, a 0.1% increase compared to 2018.
- Income before income taxes was \$48.8 million, a 44.2% decrease compared to 2018.
- Net income attributable to common shareholders was \$17.7 million, a 49.6% decrease compared to 2018.
- Diluted earnings per share was \$0.19 per diluted share, a \$0.17 per share decrease compared to 2018.

The Company's consolidated results for the year ended December 31, 2019 compared to the same 2018 period were significantly impacted by the following:

- The recognition of a charge of \$39.1 million in 2019 associated with Bluegreen's settlement agreement with Bass Pro in June 2019.
- An increase in Bluegreen's net carrying cost of VOI inventory primarily due to Bluegreen's acquisition of the Éilan Hotel and Spa during April 2018 and higher net costs associated with Bluegreen owning a larger amount of inventory and increasing the allocation of available inventory to marketing guests.
- A net decrease in Bluegreen's system-wide sales of VOIs and increase in the provision for loan losses.
- A net increase in sale activity in BBX Capital Real Estate's portfolio in 2019, including the Altis at Bonterra joint venture's sale of its multifamily apartment community in Hialeah, Florida, which resulted in the recognition of \$29.2 million of equity earnings from the joint venture in 2019.
- An decrease in operating losses generated by BBX Sweet Holdings in 2019, which primarily reflects the impact of various strategic initiatives implemented by the Company during 2018, including the closure of a manufacturing facility and a reduction

in corporate personnel and infrastructure, and various impairment losses and other costs recognized in 2018 in connection with such initiatives. The Company's exit from its restauration operations as a franchisee of MOD Super Fast Pizza ("MOD Pizza") in September 2019, which resulted in the recognition of \$6.7 million in impairment losses in 2019.

### Segment Results

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

Income before income taxes by reportable segment for the years ended December 31, 2019, 2018, and 2017 is set forth in the table below (in thousands):

|   | <b>For the Years Ended December 31,</b> |               |                |
|---|---|---------------|----------------|
|   | <b>2019</b>                             | <b>2018</b>   | <b>2017</b>    |
| Bluegreen   | \$ 58,264                               | 128,893       | 136,998        |
| BBX Capital Real Estate                                   | 52,696                                  | 30,214        | 16,085         |
| Renin   | 1,808                                   | 2,461         | 2,180          |
| BBX Sweet Holdings  | (5,122)                                 | (14,986)      | (16,781)       |
| Other   | (9,086)                                 | (4,178)       | (2,672)        |
| Reconciling items and eliminations                        | (49,799)                                | (54,972)      | (43,209)       |
| <b>Income before income taxes</b>                         | <b>48,761</b>                           | <b>87,432</b> | <b>92,601</b>  |
| (Provision) benefit for income taxes                      | (16,658)                                | (31,639)      | 9,702          |
| <b>Net income</b>   | <b>32,103</b>                           | <b>55,793</b> | <b>102,303</b> |
| Less: Net income attributable to noncontrolling interests | 14,412                                  | 20,691        | 18,378         |
| <b>Net income attributable to shareholders</b>            | <b>\$ 17,691</b>                        | <b>35,102</b> | <b>83,925</b>  |

### Bluegreen Reportable Segment

#### Executive Overview

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in popular leisure and urban destinations. Bluegreen's resort network includes 45 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 23 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 high-volume, "drive-to" vacation locations, including Orlando, Las Vegas, Myrtle Beach and Charleston, among others. Through its points-based system, the approximately 220,000 owners in its Vacation Club have the flexibility to stay at units available at any of its resorts and have access to over 11,350 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 11,350 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 financing. 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 generally 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 providing financing to qualified purchasers. 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 13% to approximately 17% per annum. As of December 31, 2019, the weighted-average interest rate on Bluegreen's VOI notes receivable was 14.9%. In addition, Bluegreen earns fees for various other services, including title and escrow services in connection with the closing of VOI sales, and mortgage servicing.

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

Bluegreen enters into management agreements with the Home Owner Associations (“HOAs”) that maintain most of the resorts and earn fees for providing management services to those HOAs and Bluegreen’s approximately 220,000 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 provides owner, billing and collection services. 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 VOIs purchased by Bluegreen for sale as part of Bluegreen’s JIT sales activities.

***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 relating to VOIs sold by them.

***Other Fee-Based Services.*** Represents resort operation and club management recurring fees from managing the Vacation Club and transaction fees for Traveler Plus and other member services. 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 actual defaults and equity trades are higher 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, including administrative costs associated with mortgage servicing activities for loans owned by Bluegreen and the loans of certain third-party developers. Mortgage servicing activities include, among other things, payment processing, reporting and collection services.

*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 (described below), sales of VOIs are impacted by the proportion of system-wide sales of VOIs sold on behalf of third-parties on a commission basis, which are not included in sales of VOIs.

*System-wide Sales of VOIs.* 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 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 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 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, 2019, 2018, and 2017

Information regarding the results of operations for Bluegreen for the years ended December 31, 2019, 2018 and 2017 are set forth below (dollars in thousands):

|   | For the Years Ended December 31, |  |                   |  |                   |  |
|---|----------------------------------|--|-------------------|--|-------------------|--|
|   | 2019                             |  | 2018              |  | 2017              |  |
|   | 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 VOI Sales <sup>(1)</sup>  | \$ 355,353                       | 57%  | \$ 287,292        | 46%  | \$ 299,104        | 48%  |
| Secondary Market sales  | 248,780                          | 40%  | 232,562           | 37%  | 182,108           | 29%  |
| Fee-Based sales   | 308,032                          | 50%  | 318,540           | 51%  | 330,854           | 53%  |
| JIT sales   | 13,346                           | 2%   | 56,450            | 9%   | 45,982            | 7%   |
| Less: Equity trade allowances <sup>(6)</sup>  | (306,403)                        | -49%   | (270,774)         | -43%   | (238,780)         | -39%   |
| System-wide sales of VOIs   | 619,108                          | 100%   | 624,070           | 100%   | 619,268           | 100%   |
| Less: Fee-Based sales   | (308,032)                        | -50%   | (318,540)         | -51%   | (330,854)         | -53%   |
| Gross sales of VOIs   | 311,076                          | 50%  | 305,530           | 49%  | 288,414           | 47%  |
| Provision for loan losses <sup>(2)</sup>  | (55,701)                         | -18%   | (51,305)          | -17%   | (46,397)          | -16%   |
| Sales of VOIs   | 255,375                          | 41%  | 254,225           | 41%  | 242,017           | 39%  |
| Cost of VOIs sold <sup>(3)</sup>  | (21,845)                         | -9%  | (23,813)          | -9%  | (17,679)          | -7%  |
| Gross profit <sup>(4)</sup>   | 233,530                          | 91%  | 230,412           | 91%  | 224,338           | 93%  |
| Fee-based sales commission revenue <sup>(4)</sup>   | 207,832                          | 67%  | 216,422           | 68%  | 229,389           | 69%  |
| Financing revenue, net of financing expense   | 48,364                           | 8%   | 51,205            | 8%   | 56,899            | 9%   |
| Other fee-based services revenue  | 189,133                          | 31%  | 180,558           | 29%  | 164,458           | 27%  |
| Cost of other fee-based services  | (127,013)                        | -21%   | (124,144)         | -20%   | (112,979)         | -18%   |
| Net carrying cost of VOI inventory  | (23,816)                         | -4%  | (11,358)          | -2%  | (4,220)           | -1%  |
| Selling and marketing expenses  | (317,716)                        | -51%   | (307,614)         | -49%   | (319,664)         | -52%   |
| General and administrative expenses   | (151,140)                        | -24%   | (107,789)         | -17%   | (101,535)         | -16%   |
| Operating profit  | 59,174                           | 10%  | 127,692           | 20%  | 136,686           | 22%  |
| Other (expense) income  | (910)                            |  | 1,201             |  | 312               |  |
| (Provision) benefit for income taxes  | (12,140)                         |  | (28,541)          |  | 2,345             |  |
| <b>Net income</b>   | <b>\$ 46,124</b>                 |  | <b>\$ 100,352</b> |  | <b>\$ 139,343</b> |  |
| <i>Adjustments for EBITDA:</i>  |                                  |  |                   |  |                   |  |
| Provision (benefit) for income taxes  | 12,140                           |  | 28,541            |  | (2,345)           |  |
| Income before taxes   | 58,264                           |  | 128,893           |  | 136,998           |  |
| Depreciation  | 14,114                           |  | 12,392            |  | 9,632             |  |
| Franchise taxes   | 193                              |  | 199               |  | 178               |  |
| Interest expense (other than interest incurred on debt that is secured by VOI notes receivable) | 19,035                           |  | 15,195            |  | 12,168            |  |
| Interest income (other than interest earned on VOI notes receivable)                            | (7,191)                          |  | (6,044)           |  | (6,874)           |  |
| <b>EBITDA</b>   | <b>84,415</b>                    |  | <b>150,635</b>    |  | <b>152,102</b>    |  |
| <i>Adjustments for Adjusted EBITDA:</i>   |                                  |  |                   |  |                   |  |
| Severance   | 6,267                            |  | 3,650             |  | 5,836             |  |
| Bass Pro settlement   | 39,121                           |  | —                 |  | 4,781             |  |
| Loss on assets held for sale  | 3,656                            |  | 3                 |  | 46                |  |
| EBITDA attributable to noncontrolling interest in Bluegreen/Big Cedar Vacations                 | (11,670)                         |  | (12,468)          |  | (12,485)          |  |
| <b>Adjusted EBITDA</b>  | <b>\$ 121,789</b>                |  | <b>\$ 141,820</b> |  | <b>\$ 150,280</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 provision for loan losses are calculated as a percentage of gross sales of VOIs, which excludes Fee-Based sales (and not of system-wide sales of VOI).
- (3) Percentages for costs of VOIs sold and gross profit are calculated as a percentage of sales of VOIs (and not based on system-wide sales of VOIs).
- (4) Percentages for Fee-Based sales commission revenue are calculated as a percentage of Fee-Based sales (and not based on system-wide sales of VOIs, net).
- (5) Represents the applicable line item, calculated as a percentage of system-wide sales of VOIs, 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, 2019 compared to the year ended December 31, 2018

**Sales of VOIs.** Sales of VOIs were \$255.4 million and \$254.2 million during the years ended December 31, 2019 and 2018, respectively. Sales of VOIs are impacted by the factors described below in system-wide sales of VOIs. Gross sales of VOIs were reduced by \$55.7 million and \$51.3 million during the years ended December 31, 2019 and 2018, respectively, for the provision for loan losses. The provision for loan losses varies based on the amount of financed, non-fee based sales during the period and changes in Bluegreen's

estimates of future notes receivable performance for existing loans. Bluegreen's provision for loan losses as a percentage of gross sales of VOIs was 18% and 17% during the years ended December 31, 2019 and 2018, respectively. The percentage of Bluegreen's sales which were realized in cash within 30 days from sale was 42% during both years ended December 31, 2019 and 2018. The increase in the provision for loan losses was primarily due to an increase in the average annual default rates, which Bluegreen believes is due in large 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. Defaults associated with such letters in 2019 increased 26% compared to 2018, with a significant portion of such increase attributable to default activity for Bluegreen's resorts and owners located in Missouri, where Bluegreen believes certain attorneys are currently targeting its customers. 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, whether due to actions by Bluegreen's attorneys or otherwise. In addition to the factors described below impacting system-wide sales of VOIs, sales of VOIs are impacted by the proportion of system-wide sales of VOIs sold on behalf of third parties on a commission basis, which are not included in sales of VOIs.

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

|                              | For the Years Ended December 31, |       |
|------------------------------|----------------------------------|-------|
|                              | 2019                             | 2018  |
| Average annual default rates | 8.73%                            | 8.41% |
|                              | As of December 31,               |       |
|                              | 2019                             | 2018  |
| Delinquency rates            | 3.62%                            | 2.91% |

*System-wide sales of VOIs.* System-wide sales of VOIs were \$619.1 million and \$624.1 million during the years ended December 31, 2019 and 2018, respectively. System-wide sales decreased during 2019 due to a decrease in the number of guest tours. Bluegreen believes the decrease was due in part to disruptions in staffing and operations at certain of its sales offices related to the issues with Bass Pro which were resolved when the parties entered into a settlement agreement in June 2019 (See Item 8 - Note 16: Commitments and Contingencies of this Annual Report on Form 10-K for additional information regarding this matter).

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. Fee-Based Sales comprised 50% and 51% of system-wide sales of VOIs during the years ended December 31, 2019 and 2018, respectively. Bluegreen expects this rate to decrease in 2020 as it focuses on selling Bluegreen owned inventory; however, actual results may differ from this estimate in the future.

The following table sets forth certain information for system-wide sales of VOIs for 2019 and 2018 (dollars in thousands, except average sales volume per guest):

|  | For the Years Ended December 31, |           |          |
|--|----------------------------------|-----------|----------|
|  | 2019                             | 2018      | % Change |
| Number of sales offices at period-end                                      | 26                               | 26        | —        |
| Number of active sales arrangements with third-party clients at period-end | 15                               | 15        | —        |
| Total number of VOI sales transactions                                     | 40,703                           | 40,087    | 2%       |
| Average sales price per transaction  | \$ 15,307                        | \$ 15,692 | -2%      |
| Number of total guest tours  | 235,842                          | 238,141   | -1%      |
| Sale-to-tour conversion ratio – total marketing guests                     | 17.3%                            | 16.8%     | 3%       |
| Number of new guest tours  | 142,130                          | 146,623   | -3%      |
| Sale-to-tour conversion ratio – new marketing guests                       | 14.1%                            | 14.3%     | -1%      |
| Percentage of sales to existing owners                                     | 54.5%                            | 51.6%     | 6%       |
| Average sales volume per guest   | \$ 2,642                         | \$ 2,642  | —        |

*Cost of VOIs Sold.* During the years ended December 31, 2019 and 2018, cost of VOIs sold was \$21.8 million and \$23.8 million, respectively, and represented 9% of sales of VOIs during each year. 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 (due to

offered volume discounts, including consideration of cumulative sales to existing owners). Additionally, the effect of changes in estimates under the relative sales value method, including estimates of project 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. Therefore, cost of sales will typically be favorably impacted in periods where a significant amount of Secondary Market VOI inventory is acquired or actual defaults and equity trades are higher than anticipated and the resulting change in estimate is recognized. During 2019, Bluegreen acquired more Secondary Market VOI inventory compared to 2018 due to a temporary suspension of Secondary Market VOI inventory purchases in September 2018 in connection with a system conversion involving Bluegreen's sales and inventory process. In addition, during 2019, Bluegreen's cost of sales benefited from sales of relatively lower cost VOIs as compared to 2018. Further, in 2018, Bluegreen increased the average selling price of VOIs by approximately 3%. As a result of this pricing change in 2018, Bluegreen also increased its estimate of total gross margin 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 2018, Bluegreen recognized a benefit to cost of VOIs sold of \$3.6 million.

*Fee-Based Sales Commission Revenue.* During the years ended December 31, 2019 and 2018, Bluegreen sold \$308.0 million and \$318.5 million, respectively, of third-party VOI inventory under commission arrangements and earned sales and marketing commissions of \$207.8 million and \$216.4 million, respectively, in connection with those sales. Bluegreen earned an average sales and marketing commission of 67% and 68% during the years ended December 31, 2019 and 2018, respectively, which is net of a reserve for commission refunds in connection with early defaults and cancellations pursuant to the terms of certain of its fee-based service arrangements. The decrease in sales and marketing commission as a percentage of fee-based sales for 2019 as compared to 2018 is primarily related to the mix of developer sales at higher commission rates in 2018 as well as higher reserves for early defaults in 2019, which Bluegreen refunds to the third-party developers in certain circumstances.

*Financing Revenue, Net of Financing Expense* During the years ended December 31, 2019 and 2018, financing revenue, net of financing expense were \$48.4 million and \$51.2 million, respectively. The decrease in finance revenue net of finance expense is a result of Bluegreen's higher weighted average cost of borrowing and higher outstanding debt balances during 2019 compared to 2018. Additionally, during 2019, Bluegreen paid off its 2013 Notes Payable and, in connection with this repayment, wrote off unamortized debt issuance costs of \$0.4 million which contributed to the increase in interest expense in 2019.

*Other Fee-Based Services Revenue.* During the years ended December 31, 2019 and 2018, revenue from Bluegreen's resort operations, club management and title operations was \$189.1 million and \$180.6 million, respectively, which was partially offset by expenses directly related to these operations of \$127.0 million and \$124.1 million, respectively.

Other fee-based services revenue increased 5% during the year ended December 31, 2019 as compared to the year ended December 31, 2018. Cost reimbursement revenue, which primarily consists of payroll and payroll related expenses for management of the HOAs and other services Bluegreen provides where Bluegreen is the employer, increased 2% during the year ended December 31, 2019 as compared to the year ended December 31, 2018. Net of cost reimbursement revenue, resort operations and club management revenues increased 5% during the year ended December 31, 2019 as compared to the year ended December 31, 2018. Resort operations and club management revenues, net of cost reimbursement revenues, increased during 2019 compared to 2018 primarily as a result of the receipt of management fees for the full year in 2019 related to two managed resorts added during 2018 and higher third-party rental commissions. Bluegreen managed 49 resort properties as of both December 31, 2019 and December 31, 2018.

Cost of other fee-based services 2% during the year ended December 31, 2019 as compared to the year ended December 31, 2018. This increase was primarily due to increased cost reimbursement expense and the timing of the new managed resorts described above.

*Net Carrying Cost of VOI Inventory.* The carrying cost of Bluegreen's inventory was \$35.7 million and \$27.4 million during the years ended December 31, 2019 and 2018, respectively, which was partially offset by rental and sampler revenue of \$11.8 million and \$16.1 million, respectively. The increase in net carrying costs of VOI inventory was primarily related to our acquisition of the Éilan Hotel and Spa during April 2018 and higher net costs associated with Bluegreen owning a larger amount of inventory and increasing the allocation of available inventory to marketing guests.

*Selling and Marketing Expenses.* Selling and marketing expenses were \$317.7 million and \$307.6 million during the years ended December 31, 2019 and 2018, respectively. As a percentage of system-wide sales of VOIs, selling and marketing expenses were 51% and 49% during the years ended December 31, 2019 and 2018, respectively. The increase in selling and marketing expenses as a percentage of system-wide sales of VOIs is primarily attributable to higher costs per guest tour, higher fees to Bass Pro as well as a change in the timing of expense recognition under the settlement agreement with Bass Pro discussed below, additional costs related to Bluegreen's marketing operations in 15 new Cabela's stores in 2019, and additional costs associated with testing new traditional and digital marketing programs. In addition, 2019 includes severance of \$0.6 million pursuant to an agreement entered into with an executive during 2019.



Bluegreen's agreement with Bass Pro previously provided for the payment of a variable commission upon the sale of a VOI to a marketing prospect obtained through the Bass Pro marketing channels. As discussed herein, pursuant to the settlement agreement and amended marketing arrangement with Bass Pro, the settlement payment and a portion of the ongoing annual marketing fees are fixed costs and/or are subject to annual minimums regardless of the volume of VOI sales produced from the resulting marketing prospects generated from the amended agreement. If Bluegreen's amended agreement with Bass Pro does not generate a sufficient number of prospects and leads or is terminated or limited, 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. In addition, the amended arrangement with Bass Pro is expected to result in an annual 9% increase in Bluegreen's marketing costs as a percentage of sales from the program based on increases in program fixed costs and anticipated VOI sales volumes from this marketing channel. Should Bluegreen's VOI sales volumes be below expectations, the increase in cost of this marketing program would be higher than expected and Bluegreen's results of operations and cash flows would be adversely impacted.

*General and Administrative Expenses.* General and administrative expenses were \$151.1 million and \$107.8 million during the year ended December 31, 2019 and 2018, respectively. As a percentage of system-wide sales of VOIs, general and administrative expenses were 24% and 17% for the year ended December 31, 2019 and 2018, respectively. General and administrative expenses for the year ended December 31, 2019 include a charge of \$39.1 million related to the settlement of the dispute with Bass Pro in June 2019. (See Item 8 - Note 16: Commitments and Contingencies of this Annual Report for additional information regarding the Bass Pro settlement). In addition, during the year ended December 31, 2019, Bluegreen accrued severance and transition expenses of \$6.3 million pursuant to agreements entered into with certain executives and members of management during 2019 compared to \$3.7 million during 2018. The above increases in general and administration expenses were partially offset by lower self-insured health care costs, lower legal expenses, and lower information technology costs. See "Bluegreen Liquidity and Capital Resources" below for additional information.

*Other (expense) income, net.* Other income, net was an expense of \$0.9 million during the year ended December 31, 2019 and income of \$1.2 million during the year ended December 31, 2018. In December 2019, Bluegreen conveyed the ski and golf operations and related property at one of its resorts to the HOA, which resulted in a loss on disposal of approximately \$5.6 million, partially offset by a land sale during June 2019 for a gain of \$2.0 million.

## BBX Capital Real Estate Reportable Segment

### *Segment Description*

BBX Capital Real Estate (or BBXRE) is engaged in the acquisition, development, construction, ownership, financing, and management of real estate and investments in real estate joint ventures, including investments in multifamily apartment and townhome communities, single-family master-planned communities, and commercial properties located primarily in Florida. In addition, BBXRE owns a 50% equity interest in the Altman Companies, a developer and manager of multifamily apartment communities, and also manages the legacy assets acquired in connection with the Company's sale of BankAtlantic in 2012, including portfolios of loans receivable and real estate properties.

### *Overview*

#### *The Altman Companies and Related Investments*

In 2018, BBXRE acquired a 50% membership interest in the Altman Companies, a joint venture between the Company and Joel Altman ("JA") engaged in the development, construction, and management of multifamily apartment communities. As of December 31, 2019, BBXRE had investments in ten active developments sponsored by the Altman Companies, comprised of three developments that are stabilized or being leased and expected to be sold over the next two years, five developments that are under construction, and two projects that are currently in predevelopment stages.

During the year ended December 31, 2019, BBXRE monetized certain of its investments in real estate joint ventures that were sponsored by the Altman Companies, including the following:

- In April 2019, the Altis at Lakeline joint venture sold its 354 unit multifamily apartment community in Cedar Park, Texas. As a result of the sale, BBXRE recognized \$5.0 million of equity earnings and received approximately \$9.3 million of distributions from the venture during the year ended December 31, 2019.
- In August 2019, the Altis at Bonterra joint venture sold its 314 unit multifamily apartment community located in Hialeah, Florida. As a result of the sale, BBXRE recognized \$29.2 million of equity earnings and received approximately \$46.0 million of distributions from the joint venture. In addition, prior to the sale, BBXRE received approximately \$4.3 million of distributions from the venture during the year ended December 31, 2019 related to prior operating profits of the venture.

BBXRE also continued to invest in new real estate joint ventures sponsored by the Altman Companies, which are summarized below:

- During the year ended December 31, 2019, joint ventures sponsored by the Altman Companies closed on construction financing and commenced development of the following projects:
  - Altis at Preserve (Suncoast), a 350 unit multifamily apartment community in Tampa, Florida
  - Altis at Little Havana, a 224 unit multifamily apartment community in Miami, Florida
  - Altis Miramar West, a 320 unit multifamily apartment community in Miramar, Florida; and
  - Altis Miramar East, a 330 unit multifamily apartment community, in Miramar, Florida

The Altman Companies is providing development, construction, and management services to the ventures in exchange for ongoing fee revenue, and BBXRE and JA have invested in the respective managing member of these ventures. As of December 31, 2019, BBXRE had invested an aggregate of \$4.2 million in the managing members of these joint ventures.

- In August 2019, BBXRE invested \$4.5 million in the Altis at Lake Willis (Vineland Pointe) joint venture, which was formed to acquire land, obtain entitlements, and fund predevelopment costs for the development of a potential multifamily apartment community in Orlando, Florida. The joint venture expects to receive entitlements for the project, close on the capital to construct the project, and commence construction in 2020.

#### *Beacon Lake Master Planned Development*

During the year ended December 31, 2019, BBXRE continued its development of the Beacon Lake Community in St. Johns County, Florida and sold to homebuilders the remaining 51 developed lots in Phase I of the project, which is comprised of 302 lots.

BBXRE has commenced land development on the lots comprising Phase II of the project, which is expected to include approximately 400 single-family homes and 196 townhomes, and an additional 79 lots for single-family homes as part of Phase III of the project. BBXRE has entered into purchase agreements with homebuilders to sell developed lots for 422 single-family homes and all of the 196 townhomes, and closings on the sale of developed lots in Phase II to homebuilders commenced in January 2020.

#### *Other Joint Venture Activity*

During the year ended December 31, 2019, the PGA Design Center joint venture sold its remaining commercial buildings located in Palm Beach Gardens, Florida and provided seller financing to the buyer for a portion of the sales price. As a result of the sale, BBXRE recognized \$2.8 million of equity earnings and received approximately \$2.3 million of distributions from the venture.

In addition, BBXRE invested in two new real estate joint ventures, including The Main Las Olas joint venture, which was formed to invest in the development of The Main Las Olas, a mixed-used project in downtown Fort Lauderdale, Florida that is planned to be comprised of an office tower with approximately 365,000 square feet of leasable area, a residential tower with approximately 341 units, and approximately 45,000 square feet of ground floor retail, and the Sky Cove joint venture, which was formed to develop, construct, and sell 204 single-family homes in Westlake Florida. BBXRE has invested \$2.0 million in The Main Las Olas joint venture and \$4.2 million in the Sky Cove joint venture and expects to invest an additional \$2.0 million in The Main Las Olas joint venture as the development progresses.

#### *Other Real Estate Activity*

During the year ended December 31, 2019, BBXRE sold other various real estate assets within its portfolio, including RoboVault, a self-storage facility located in Fort Lauderdale, Florida, its remaining land parcels located at PGA Station in Palm Beach Gardens, Florida, and various land parcels located in Florida. As a result of these sales, BBXRE recognized total net gains on sales of real estate of \$8.6 million and received aggregate net proceeds of \$35.2 million.

In connection with the sale of its remaining land parcels at PGA Station, which were sold to the buyer of the commercial buildings sold by the PGA Design Center joint venture, as described above, BBXRE reinvested \$2.1 million of the proceeds in the PGA Lender joint venture, a joint venture formed with the PGA Design Center joint venture to invest in the seller financing provided to the buyer.

#### *Outlook*

As a result of BBXRE's monetization of a significant number of investments in its portfolio in 2019 and the overall decline in the balance of the legacy asset portfolio, BBXRE expects that its operating profits and income before income taxes will decline in the near term, including a significant decline in equity in net earnings of unconsolidated joint ventures in 2020. In addition, the Altman Companies has historically incurred operating costs in excess of the fees earned from the projects, and its earnings have generally arisen as a result of the promoted equity interests received as the managing member of the projects. As a result, BBXRE is currently focused on leveraging the Altman Companies, as well as BBXRE's relationships with third party developers, to source investments in new development opportunities with the goal of building a diversified portfolio of real estate investments that generate profits. In addition to the development and sale of multifamily apartment communities, these investment opportunities may also include the development of multifamily apartment communities that will be owned over a long-term hold period and the acquisition of existing multifamily apartment communities which can be renovated and re-leased pursuant to a "value add" strategy to generate sustainable cash flows. Furthermore, while BBXRE's investments in multifamily apartment communities sponsored by the Altman Companies primarily involve investing in the managing member in the joint ventures that are formed to invest in such projects, BBXRE may also consider opportunistically making increased debt or equity investments in one or more of such projects in lieu of seeking such funding from unaffiliated third parties.

Due to the historically strong performance of multifamily apartment assets within the real estate market, BBXRE is experiencing increased competition from other real estate investors and developers, which is increasing the cost of land and resulting in increased inventories of multifamily apartment communities in the markets in which BBXRE invests and operates, which can decrease market rental rates and increase the time required to lease and stabilize its development projects. As a result of these factors, BBXRE is experiencing increased difficulties in identifying development opportunities that meet its investment criteria. In addition to enhancing its resources dedicating to identifying new opportunities, BBXRE is also evaluating the expansion of its investment pipeline through the acquisition of existing multifamily apartment communities pursuant to a "value add" strategy, as discussed above, and the entry into one or more new geographic markets.

## Results of Operations

Information regarding the results of operations for BBX Capital Real Estate is set forth below (dollars in thousands):

|   | For the Years Ended<br>December 31, |               |               | Change          | Change          |
|---|-------------------------------------|---------------|---------------|-----------------|-----------------|
|   | 2019                                | 2018          | 2017          | 2019 vs<br>2018 | 2018 vs<br>2017 |
| Sales of real estate inventory                          | \$ 5,049                            | 21,771        | —             | (16,722)        | 21,771          |
| Interest income   | 750                                 | 2,277         | 2,225         | (1,527)         | 52              |
| Net gains on sales of real estate assets                | 13,616                              | 4,563         | 1,451         | 9,053           | 3,112           |
| Other   | 1,619                               | 2,541         | 4,997         | (922)           | (2,456)         |
| <b>Total revenues</b>                                   | <b>\$ 21,034</b>                    | <b>31,152</b> | <b>8,673</b>  | <b>(10,118)</b> | <b>22,479</b>   |
| Cost of real estate inventory sold                      | 2,643                               | 14,116        | —             | (11,473)        | 14,116          |
| Recoveries from loan losses, net                        | (5,428)                             | (8,653)       | (7,546)       | 3,225           | (1,107)         |
| Impairment losses                                       | 47                                  | 571           | 1,696         | (524)           | (1,125)         |
| Selling, general and administrative expenses            | 9,144                               | 9,210         | 11,127        | (66)            | (1,917)         |
| <b>Total costs and expenses</b>                         | <b>6,406</b>                        | <b>15,244</b> | <b>5,277</b>  | <b>(8,838)</b>  | <b>9,967</b>    |
| Equity in net earnings of unconsolidated joint ventures | 37,898                              | 14,194        | 12,541        | 23,704          | 1,653           |
| Other income  | 170                                 | 112           | 148           | 58              | (36)            |
| <b>Income before income taxes</b>                       | <b>\$ 52,696</b>                    | <b>30,214</b> | <b>16,085</b> | <b>22,482</b>   | <b>14,129</b>   |

BBX Capital Real Estate's income before income taxes for the year ended December 31, 2019 compared to the 2018 period increased by \$22.5 million, or 74.4%, primarily due to the following:

- A net increase in equity in earnings of unconsolidated joint ventures and gains on sales of real estate assets primarily associated with the sales in 2019 described above, as well as the sale of single-family homes by the Chapel Trail joint venture; partially offset by
- The recognition of a \$3.1 million net gain upon the sale of a student housing complex in 2018;
- A decrease in interest income and recoveries from loan losses primarily due to the continued decline in the balance of the legacy asset portfolio, as several significant nonaccrual commercial loans were repaid in 2018; and

A decrease in net profits from the sale of developed lots to homebuilders at the Beacon Lake Community development, as BBXRE sold 51 developed lots in 2019 and 251 in 2018.

## BBX Sweet Holdings Reportable Segment

BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including IT'SUGAR, Hoffman's Chocolates, and Las Olas Confections and Snacks. IT'SUGAR is a specialty candy retailer which operates approximately 100 retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations in over 25 states and Washington D.C., and its products include bulk candy, candy in giant packaging, and licensed and novelty items. Hoffman's Chocolates is a retailer of gourmet chocolates with retail locations in South Florida, and Las Olas Confections and Snacks is a manufacturer and wholesaler of chocolate and other confectionery products.

### Overview

During the fourth quarter of 2019, the Company reorganized the operating businesses in the confectionery industry that are owned by BBX Sweet Holdings, including the centralization of various management and back office activities and the management of the operations of these businesses by the Company's executive management based on the consolidated activities and results of BBX Sweet Holdings. In addition, BBX Sweet Holdings is continuing its efforts to streamline and integrate the operations of these businesses, including the manufacturing and sourcing of certain products by Las Olas Confections and Snacks for BBX Sweet Holdings' retail operations at IT'SUGAR and Hoffman's Chocolates. As a result of these organizational changes, the Company has updated its internal and external presentations of the operating results of these businesses to reflect the consolidated results of BBX Sweet Holdings.

Although BBX Sweet Holdings incurred a loss before income taxes in 2019 and may incur a loss before income taxes in 2020, the Company expects continued improvements in BBX Sweet Holdings' operating results as compared to 2018 and prior periods as a result of the implementation of its strategies, including the opening of new retail locations by IT'SUGAR and continued efforts to create efficiencies and reduce costs related to these businesses. However, the Company will continue to periodically evaluate its manufacturing operations in the confectionery industry, including whether its efforts to reduce costs are continuing to result in improved operating results, and to the extent that it decides to divest of or otherwise exit certain of these operations, the Company may recognize additional impairment charges and incur additional losses in future periods.

## IT'SUGAR

Consistent with its focus on selectively opening larger stores in resort and entertainment locations which experience high traffic, IT'SUGAR invested capital in several new retail locations in 2019, including Grand Bazaar, a 6,000 square foot location in Las Vegas, Nevada that was opened in June 2019, and a 22,000 square foot, three story candy department store at American Dream, a 3 million square foot shopping and entertainment complex in New Jersey, that was opened in December 2019.

IT'SUGAR is also continuing to evaluate its current retail locations where sales volumes may give rise to early lease termination rights and the potential opportunity to renegotiate lease terms and occupancy costs. For certain underperforming locations where IT'SUGAR does not have early lease termination rights, IT'SUGAR is evaluating potential opportunities to close or sublease such locations. In certain circumstances, IT'SUGAR may determine that it is in its best interest to incur costs to exit a location if the Company believes that the closure of such locations will improve IT'SUGAR's overall operating efficiencies and profitability over the long term.

### Hoffman's Chocolates

During the year ended December 31, 2019, BBX Sweet Holdings implemented various initiatives to reduce costs at Hoffman's Chocolates, including reductions in corporate personnel and the integration of certain of its management and back office activities with BBX Sweet Holdings.

### Las Olas Confections and Snacks

During the year ended December 31, 2019, Las Olas Confections and Snacks significantly reduced its operating losses as a result of various strategic initiatives implemented by BBX Sweet Holdings during 2018, including the closure of a manufacturing facility in Utah and a reduction in corporate personnel and infrastructure, and various impairment losses and other costs recognized in 2018 in connection with such initiatives that did not reoccur in 2019

Las Olas Confections and Snacks is currently focused on expanding its customer base and manufacturing and sourcing certain products for IT'SUGAR and Hoffman's Chocolates.

### Results of Operations

Information regarding the results of operations for BBX Sweet Holdings is set forth below (dollars in thousands):

|  | For the Years Ended<br>December 31, |                 |                 | Change          | Change          |
|--|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|  | 2019                                | 2018            | 2017            | 2019 vs<br>2018 | 2018 vs<br>2017 |
| Trade sales                                  | \$ 105,406                          | 101,187         | 72,899          | 4,219           | 28,288          |
| Cost of trade sales                          | (67,703)                            | (65,829)        | (51,975)        | (1,874)         | (13,854)        |
| Gross margin                                 | 37,703                              | 35,358          | 20,924          | 2,345           | 14,434          |
| Selling, general and administrative expenses | 43,203                              | 46,130          | 31,703          | (2,927)         | 14,427          |
| <b>Total operating losses</b>                | <b>(5,500)</b>                      | <b>(10,772)</b> | <b>(10,779)</b> | <b>5,272</b>    | <b>7</b>        |
| Interest and other income                    | 716                                 | 241             | 119             | 475             | 122             |
| Interest expense                             | (196)                               | (308)           | (335)           | 112             | 27              |
| Impairment losses                            | (142)                               | (4,147)         | (5,786)         | 4,005           | 1,639           |
| Loss before income taxes                     | \$ (5,122)                          | (14,986)        | (16,781)        | 9,864           | 1,795           |
| Gross margin percentage                      | % 35.77                             | 34.94           | 28.70           | 0.83            | 6.24            |
| SG&A as a percent of trade sales             | % 40.99                             | 45.59           | 43.49           | (4.60)          | 2.10            |

BBX Sweet Holdings' results of operations include the results of IT'SUGAR's operations commencing on June 16, 2017, the date on which BBX Sweet Holdings acquired IT'SUGAR.

BBX Sweet Holdings' loss before income taxes for the year ended December 31, 2019 compared to the same 2018 period decreased by \$9.9 million, or 65.8%, primarily due to the following:

- The recognition of impairment losses in 2018 in connection with the implementation of various strategic initiatives in 2018, as described above, and ongoing losses from BBX Sweet Holdings' businesses;
- A net decrease in selling, general and administrative expenses primarily due to the above mentioned strategic initiatives, which have resulted in lower ongoing operating costs and the recognition of severance and other expenses in 2018 that did not reoccur

in 2019, partially offset by costs associated with new IT'SUGAR locations opened in 2019 and 2018, including the FAO Schweetz location in New York City, the Grand Bazaar location in Las Vegas, and the American Dream location in New Jersey; and

- A net increase in gross margin primarily due to sales from the new IT'SUGAR locations described above and improvements in Las Olas Confections and Snacks' gross margin percentage as a result of improved efficiencies in its manufacturing facility and the closure of its manufacturing facility in Utah.

BBX Sweet Holdings' loss before income taxes for the year ended December 31, 2018 compared to the same 2017 period decreased by \$1.8 million, or 10.7%, primarily due to the following:

- A net increase in the loss before income taxes generated by IT'SUGAR as a result of costs and expenses associated with replacing various executives and opening new locations, as well as the operating results for 2018 reflecting seasonal operating losses that are typically incurred during the first half of the annual period which are not reflected in IT'SUGAR's operating results for 2017 due to the timing of BBX Sweet Holdings' acquisition of IT'SUGAR in June 2017;
- A net decrease in Las Olas Confections and Snacks selling, general and administrative expenses and improvements in gross margin primarily due to the above mentioned strategic initiatives; and
- A net decrease in impairment losses related to certain of BBX Sweet Holdings' businesses.

Information regarding the results of operations for IT'SUGAR is set forth below (dollars in thousands):

|  | For the Years Ended |                | June 16, 2017      | Change          | Change          |
|--|---------------------|----------------|--------------------|-----------------|-----------------|
|  | December 31,        | December 31,   | to<br>December 31, | 2019 vs<br>2018 | 2018 vs<br>2017 |
|  | 2019                | 2018           | 2017               |                 |                 |
| Trade sales                                  | \$ 85,275           | 79,618         | 46,765             | 5,657           | 32,853          |
| Cost of trade sales                          | (50,748)            | (46,718)       | (26,639)           | (4,030)         | (20,079)        |
| Gross margin                                 | 34,527              | 32,900         | 20,126             | 1,627           | 12,774          |
| Selling, general and administrative expenses | 36,521              | 35,404         | 17,594             | 1,117           | 17,810          |
| <b>Total operating profits</b>               | <b>(1,994)</b>      | <b>(2,504)</b> | <b>2,532</b>       | <b>510</b>      | <b>(5,036)</b>  |
| Interest and other income                    | 286                 | 160            | 66                 | 126             | 94              |
| Impairment losses                            | (142)               | —              | —                  | (142)           | —               |
| Interest expense                             | (114)               | (40)           | —                  | (74)            | (40)            |
| (Loss) income before income taxes            | \$ (1,964)          | (2,384)        | 2,598              | 420             | (4,982)         |
| Gross margin percentage                      | % 40.49             | 41.32          | 43.04              | (0.83)          | (1.71)          |
| SG&A as a percent of trade sales             | % 42.83             | 44.47          | 37.62              | (1.64)          | 6.85            |

## Renin Reportable Segment

### Segment Description

Renin is engaged in the design, manufacture, and distribution of sliding doors, door 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. In addition to its own manufacturing, Renin also sources various products and materials from China. Renin's products are sold through three channels in North America: retail, commercial, and direct installation in the greater Toronto area.

### Overview

During the year ended December 31, 2019, Renin's trade sales were down compared to its trade sales in 2018. Although Renin's gross trade sales marginally increased during 2019 as compared to 2018, this increase was offset by higher volume rebates and promotional spend on customers in its retail channel. Overall, sales to retail customers, including big box retailers, continue to comprise a significant portion of Renin's customer mix, as retail, commercial, and direct installation trade sales as a percentage of total gross trade sales were 63%, 26%, and 11%, respectively, during the year ended December 31, 2019. With respect to Renin's product mix, although barn door products had been historically increasing as a percentage of its overall product mix, Renin's product mix based on gross sales within its major product categories remained relatively consistent in 2019 as compared to 2018.

Although Renin has been able to maintain its sales volumes in 2019, it is experiencing increased competition, particularly in its retail channel and related to its barn door product, which has resulted in increased pricing concessions, including volume rebates and promotional spend. As a result, Renin is currently focused on developing new, innovative products and delivering superior customer service to grow sales across all of its channels. Renin is also renewing its focus on sales to customers in its commercial and direct installation channels, in which Renin has experienced decreased or flat sales in recent years.

Although Renin's gross margins improved in 2019 as compared to 2018 partially due to the impact of certain promotions in which products were sold at low margins in 2018, Renin is experiencing increased costs on the products it sources from China as a result of tariffs levied on these products. As a result, Renin is focusing on identifying alternative sources for such products and reducing the costs of its manufactured products. Renin has also recently experienced increased interest in its manufactured products in its commercial channel, as its domestically produced products are becoming more competitive with Chinese imports as a result of tariffs.

### Results of Operations

Information regarding the results of operations for Renin is set forth below (dollars in thousands):

|  | For the Years Ended |               |               | Change<br>2019 vs<br>2018 | Change<br>2018 vs<br>2017 |
|--|---------------------|---------------|---------------|---------------------------|---------------------------|
|  | December 31,        |               |               |                           |                           |
|  | 2019                | 2018          | 2017          |                           |                           |
| Trade sales                                  | \$ 67,537           | 68,417        | 68,935        | (880)                     | (518)                     |
| Cost of trade sales                          | (54,243)            | (55,483)      | (54,941)      | 1,240                     | (542)                     |
| <b>Gross margin</b>                          | <b>13,294</b>       | <b>12,934</b> | <b>13,994</b> | <b>360</b>                | <b>(1,060)</b>            |
| Selling, general and administrative expenses | 11,066              | 9,903         | 11,112        | 1,163                     | (1,209)                   |
| <b>Total operating profits</b>               | <b>2,228</b>        | <b>3,031</b>  | <b>2,882</b>  | <b>(803)</b>              | <b>149</b>                |
| Other income                                 | 153                 | —             | —             | 153                       | —                         |
| Interest expense                             | (498)               | (638)         | (509)         | 140                       | (129)                     |
| Foreign exchange (gain) loss                 | (75)                | 68            | (193)         | (143)                     | 261                       |
| <b>Income before income taxes</b>            | <b>1,808</b>        | <b>2,461</b>  | <b>2,180</b>  | <b>(653)</b>              | <b>281</b>                |
| Gross margin percentage                      | % 19.68             | 18.90         | 20.30         | 0.78                      | (1.40)                    |
| SG&A as a percent of trade sales             | % 16.39             | 14.47         | 16.12         | 1.91                      | (1.65)                    |

Renin's income before income taxes for the year ended December 31, 2019 compared to the same 2018 period decreased by \$0.7 million, or 26.5%, primarily due to the following:

- An increase in selling, general and administrative expenses primarily due to consulting expenses related to the procurement of raw materials, severance expenses, and higher employee compensation expenses associated with the accrual of performance bonuses; and
- A decrease in trade sales primarily resulting from higher volume rebates and promotional spend on customers in Renin's retail channel; partially offset by

- An improvement in Renin's gross margin percentage which reflects improved pricing for the procurement of raw materials in 2019 and a barn door promotion to sell excess inventory in 2018 that was not repeated in 2019, partially offset by the impact of tariffs on products imported from China.

## **Other**

Other in the Company's segment information includes its investments in other operating businesses, including a restaurant located in South Florida that was acquired through a loan foreclosure and an insurance agency, as well as its operations as a franchisee of MOD Pizza in Florida through September 2019, as described below.

### *MOD Pizza Restaurant Operations*

In 2016, Food for Thought Restaurant Group ("FFTRG"), a wholly-owned subsidiary of BBX Capital, entered into area development and franchise agreements with MOD Pizza related to the development of up to approximately 60 MOD Pizza franchised restaurant locations throughout Florida. Through 2019, FFTRG had opened nine restaurant locations. As a result of FFTRG's overall operating performance and the Company's goal of streamlining its investment verticals, the Company entered into an agreement with MOD Pizza to terminate the area development and franchise agreements and transferred seven of its restaurant locations, including the related assets, operations, and lease obligations, to MOD Pizza during the third quarter of 2019. In addition, the Company closed the remaining two locations and terminated the related lease agreements.

The net losses before taxes from the Company's MOD Pizza franchise operations for the years ended December 31, 2019, 2018, and 2017 were \$9.4 million, \$4.5 million, and \$2.5 million, respectively. The net losses for the year ended December 31, 2019 included aggregate impairment losses of \$6.7 million related to the transfer of the seven restaurant locations to MOD Pizza and the closure of the two restaurant locations.

## **Reconciling Items and Eliminations**

Reconciling items and eliminations in the Company's segment information primarily includes the following:

- BBX Capital's corporate general and administrative expenses;
- Interest expense primarily associated with Woodbridge's junior subordinated debentures and BBX Capital's \$50.0 million revolving line of credit and redeemable cumulative preferred stock;
- Interest income on interest-bearing cash accounts; and
- The elimination of Bluegreen's interest income on its \$80 million notes receivable from BBX Capital.

### *Corporate General and Administrative Expenses*

BBX Capital's corporate general and administrative expenses consist primarily of expenses associated with administering the various support functions at its corporate headquarters, including executive compensation, legal, accounting, human resources, investor relations, and executive offices. BBX Capital's corporate general and administrative expenses for the years ended December 31, 2019, 2018, and 2017, were \$41.1 million, \$45.5 million, and \$52.9 million, respectively.

BBX Capital's corporate general and administrative expenses for the year ended December 31, 2019 compared to 2018 decreased by \$4.4 million, which primarily reflects lower costs related to executive incentive bonuses and share-based compensation expense and lower professional fees, partially offset by higher severance costs.

### *Interest Expense*

Excluding BBX Capital's note payable to Bluegreen, its interest expense for the years ended December 31, 2019, 2018 and 2017 was \$5.5 million, \$6.6 million, and \$4.6 million, respectively. The decrease in interest expense during the year ended December 31, 2019 compared to the same 2018 period primarily resulted from BBX Capital's repayment of the outstanding balance of \$30.0 million on its \$50.0 million revolving line of credit in January 2019.

BBX Capital's interest expense on the \$80.0 million note payable to Bluegreen for the years ended December 31, 2019, 2018, and 2017 was \$4.8 million, \$4.8 million and \$6.4 million, respectively. The decrease for the 2019 and 2018 periods compared to the 2017 period reflects the reduction in the interest rate on the note on July 1, 2017 from 10% per annum to 6% per annum. The interest expense on this note and the related interest income recognized by Bluegreen are eliminated in the Company's consolidated statements of operations.



### Interest Income

During the years ended December 31, 2019, 2018 and 2017, the Company recognized \$2.3 million, \$2.0 million and \$0.9 million, respectively, of interest income primarily from BBX Capital's interest-bearing cash accounts.

### Other Items

In addition to the above items, Reconciling Items and Eliminations includes \$0.6 million and \$8.6 million of insurance carrier reimbursements of litigation costs for the years ended December 31, 2018 and 2017, respectively, and the reimbursement of a \$4.6 million fine previously paid in connection with the SEC civil litigation against BCC for the year ended December 31, 2017. Reconciling Items and Eliminations also includes \$6.9 million of net gains on the cancellation of Woodbridge's junior subordinated debentures for the year ended December 31, 2017.

### (Provision) Benefit for Income Taxes

The provision for income taxes for the year ended December 31, 2019 reflected the Company's effective tax rate of 34.2% on income before income taxes. The effective tax rate was higher than the expected federal income tax rate of 21.0% primarily due to nondeductible executive compensation and state income taxes.

The provision for income taxes for the year ended December 31, 2018 reflected the Company's effective tax rate of 36.2% on income before income taxes. The effective tax rate was higher than the expected federal income tax rate of 21% primarily due to nondeductible executive compensation, which included a \$2.8 million adjustment associated with the Company's completion of its analysis of its accounting for the enactment of the Tax Reform Act in December 2017, and state income taxes. See Note 14 under Item 8 of this report for additional information with respect to the Company's accounting for the Tax Reform Act.

### Net Income Attributable to Noncontrolling Interests

BBX Capital's consolidated financial statements include 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 during the years ended December 31, 2019, 2018, and 2017 was \$14.4 million, \$20.7 million, and \$18.4 million, respectively. The decrease in net income attributable to noncontrolling interests for the year ended December 31, 2019 compared to the same 2018 period was primarily due to a decrease in the net income of Bluegreen and Bluegreen/Big Cedar Vacations.

### Consolidated Cash Flows

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

|   | For the Years Ended December 31, |                |                |
|---|----------------------------------|----------------|----------------|
|   | 2019                             | 2018           | 2017           |
| Cash flows provided by operating activities                           | \$ 78,242                        | 86,639         | 65,599         |
| Cash flows provided by (used in) investing activities                 | 16,319                           | (31,063)       | (54,765)       |
| Cash flows (used in) provided by financing activities                 | (108,788)                        | (43,726)       | 52,096         |
| Net (decrease) increase in cash, cash equivalents and restricted cash | \$ (14,227)                      | 11,850         | 62,930         |
| Cash, cash equivalents and restricted cash at beginning of period     | 421,097                          | 409,247        | 346,317        |
| <b>Cash, cash equivalents and restricted cash at end of period</b>    | <b>\$ 406,870</b>                | <b>421,097</b> | <b>409,247</b> |

### Cash Flows provided by Operating Activities

The Company's operating cash flows decreased \$8.4 million during the year ended December 31, 2019 compared to the same period in 2018. The decrease was primarily due to the \$20.0 million payment made to Bass Pro in June 2019 pursuant to the settlement agreement described above, an increase in payments for federal income taxes, a decrease in proceeds from the sale of developed lots at the Beacon Lake Community development, and an increase in spending on the development of real estate inventory at Beacon Lake. The above decreases in operating cash flows were partially offset by an increase in operating distributions from real estate joint ventures and decreased spending on the acquisition and development of VOI inventory.

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

Cash provided by investing activities increased by \$47.4 million during the year ended December 31, 2019 compared to the same period in 2018. The increase primarily reflects a \$19.4 million increase in distributions from unconsolidated real estate joint ventures, \$22.2 million of higher proceeds from the sale of real estate and property and equipment, \$10.0 million of lower capital expenditures, and a \$3.9 million net decrease in investments in unconsolidated real estate joint ventures, partially offset by a \$13.2 million net decrease in cash from loan recoveries.

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

Cash used in financing activities increased by \$65.1 million during the year ended December 31, 2019 compared to the same period in 2018. The increase in cash used was primarily the result of a \$114.6 million reduction in borrowings, net of repayments, primarily at Bluegreen, and the payment \$10.0 million to redeem BBX Capital's redeemable cumulative preferred stock, partially offset by a \$57.1 million decline in cash paid for the purchase and retirement of the Company's common stock.

### Commitments

The Company's material commitments as of December 31, 2019 included the required payments due on its receivable-backed debt, notes payable and other borrowings, junior subordinated debentures, commitments to complete certain projects based on its sales contracts with customers, subsidy advances to certain HOAs, 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, outstanding payments required under the Bass Pro settlement agreement, and payments required on the Company's non-cancelable operating leases by period due date as of December 31, 2019 (in thousands):

|   | Payments Due by Period |                |                |                  | Unamortized<br>Debt<br>Issuance<br>Costs | Total            |
|---|------------------------|----------------|----------------|------------------|--|------------------|
|   | Less than<br>1 year    | 1 — 3<br>Years | 4 — 5<br>Years | After 5<br>Years |  |                  |
| <b>Contractual Obligations</b>            |                        |                |                |                  |  |                  |
| Receivable-backed notes payable           | \$ —                   | 13,124         | 102,381        | 312,435          | (5,125)                                  | 422,815          |
| Notes payable and other borrowings        | 17,127                 | 33,512         | 112,904        | 27,422           | (2,234)                                  | 188,731          |
| Jr. subordinated debentures               | —                      | —              | —              | 177,129          | (39,875)                                 | 137,254          |
| Noncancelable operating leases            | 26,384                 | 48,981         | 32,507         | 44,508           | —  | 152,380          |
| Bass Pro settlement agreement             | 4,000                  | 8,000          | 8,000          | —                | —  | 20,000           |
| <b>Total contractual obligations</b>      | <b>47,511</b>          | <b>103,617</b> | <b>255,792</b> | <b>561,494</b>   | <b>(47,234)</b>                          | <b>921,180</b>   |
| <b>Interest Obligations<sup>(1)</sup></b> |                        |                |                |                  |  |                  |
| Receivable-backed notes payable           | 16,728                 | 33,086         | 29,076         | 85,629           | —  | 164,519          |
| Notes payable and other borrowings        | 7,456                  | 13,354         | 10,306         | 21,681           | —  | 52,797           |
| Jr. subordinated debentures               | 11,428                 | 22,856         | 22,856         | 127,550          | —  | 184,690          |
| <b>Total contractual interest</b>         | <b>35,612</b>          | <b>69,296</b>  | <b>62,238</b>  | <b>234,860</b>   | <b>—</b>                                 | <b>402,006</b>   |
| <b>Total contractual obligations</b>      | <b>\$ 83,123</b>       | <b>172,913</b> | <b>318,030</b> | <b>796,354</b>   | <b>(47,234)</b>                          | <b>1,323,186</b> |

(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, 2019.

In lieu of paying maintenance fees for unsold VOI inventory, Bluegreen may enter into subsidy agreements with certain HOAs. During the years ended December 31, 2019, 2018 and 2017, Bluegreen made subsidy payments in connection with these arrangements of \$24.9 million, \$12.6 million and \$12.6 million, respectively, which are included within cost of other fee-based services. As of December 31, 2019 and 2018, Bluegreen had no accrued liabilities for such subsidies.

In December 2019 Bluegreen's President and Chief Executive Officer, resigned. In connection with his resignation, Bluegreen agreed to make payments totaling \$3.5 million over a period of 18 months, all of which remained payable as of December 31, 2019. Additionally, during 2019, Bluegreen entered into certain agreements with executives related to their separation from Bluegreen or change in position. Pursuant to the terms of these agreements Bluegreen agreed to make payments totaling \$2.5 million through November 2020. As of December 31, 2019, \$2.3 million remained payable under these agreements.

The Company believes that its existing cash, anticipated cash generated from operations, anticipated future borrowings under existing or future credit facilities, and anticipated future sales of notes receivable under existing, future, or replacement purchase facilities will be sufficient to meet its anticipated working capital, capital expenditures, and debt service and other contractual obligations, 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 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 may be secured or unsecured, bear interest at fixed or variable rates, and 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 cash needs, including debt service and other contractual obligations. To the extent the Company is unable to sell notes receivable or borrow under such facilities, the Company's ability to satisfy its obligations would be materially adversely affected.

Bluegreen's receivables purchase facilities, 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 its ability to raise funds, sell receivables or satisfy or refinance its obligations, or otherwise adversely affect its financial condition and results of operations, as well as its ability to pay dividends. 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 Bluegreen's control.

Pursuant to the settlement agreement Bluegreen entered into with Bass Pro and its affiliates during June 2019, Bluegreen paid Bass Pro \$20.0 million and agreed to make five annual payments to Bass Pro of \$4.0 million each commencing in 2020. Additionally, in lieu of the previous commission arrangement, Bluegreen agreed to pay Bass Pro a fixed annual fee of \$70,000 for each Bass Pro and Cabela's retail store that Bluegreen is accessing (excluding sales at retail stores which are designated to provide tours to Bluegreen/Big Cedar Vacations, or "Bluegreen/Big Cedar feeder stores"), plus \$32.00 per net vacation package sold (less cancellations or refunds within 45 days of sale). Bluegreen also agreed to contribute to the Wonders of Wildlife Foundation \$5.00 per net package sold (less certain cancellations and refunds within 45 days of sale), subject to an annual minimum of \$700,000. The fixed annual fee was prorated for 2019. Subject to the terms and conditions of the settlement agreement, Bluegreen will generally be required to pay the fixed annual fee with respect to at least 59 Bass Pro retail stores and a minimum number of Cabela's retail stores that increases over time to a total of at least 60 Cabela's retail stores by the end of 2021. Bluegreen had marketing operations at 15 Cabela's stores at December 31, 2019 and are required to begin marketing operations in at least 25 more stores by December 31, 2020. Notwithstanding the foregoing, the minimum number of Bass Pro and Cabela's retail stores for purposes of the fixed annual fee may be reduced under certain circumstances set forth in the parties' agreement, including as a result of a reduction of traffic in the stores in excess of 25% year-over-year.

#### *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 16 of this Annual Report.

The Company has investments in joint ventures involved in the development of multifamily apartment and townhome communities, as well as single-family master planned communities. The Company's investments in these joint ventures are accounted for under the equity method of accounting, and as a result, the Company does not recognize the assets and liabilities of these joint ventures in its financial statements. As of December 31, 2019 and 2018, the Company's investments in these joint ventures totaled \$57.3 million and \$64.7 million, respectively. These unconsolidated real estate joint ventures generally finance their activities with a combination of debt financing and equity. The Company generally does not directly guarantee the financing of these joint ventures, other than as described in further detail in Item 8 – Note 16 of this Annual Report, and the Company's maximum exposure to losses from these joint ventures is its equity investment. The Company is typically not obligated to fund additional capital to its joint ventures; however, the Company's interest in a joint venture may be diluted if the Company elects not to fund a joint venture capital call.

## **Liquidity and Capital Resources**

### ***BBX Capital and Subsidiaries, excluding Bluegreen***

As of December 31, 2019 and 2018, the Company, excluding Bluegreen, had cash, cash equivalents and short-term investments of approximately \$166.6 million and \$146.9 million, respectively. Management believes that BBX Capital has sufficient liquidity from the sources described below to fund operations, including its anticipated working capital, capital expenditure, and debt service requirements, for the foreseeable future, subject to the success of the Company's ongoing business strategy and the ongoing availability of credit.

BBX Capital's principal sources of liquidity are its available cash and short-term investments, dividends received from Bluegreen, borrowings from its \$50.0 million IberiaBank revolving line of credit, distributions from unconsolidated real estate joint ventures, proceeds received from lot sales at the Beacon Lake Community development, and sales of real estate.

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. For the years ended December 31, 2019, 2018, and 2017, BBX Capital received from Bluegreen dividends totaling \$43.0 million, \$40.4 million and \$40.0 million, respectively. In addition, on February 20, 2020, BBX Capital received from Bluegreen dividends of \$8.7 million. Bluegreen has indicated that it intends to pay regular quarterly dividends on its common stock subject to the discretion of its board of directors. The ultimate payment of such dividends will be based upon factors that 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 and may not continue at current or previous levels. Except as otherwise noted, the debts and obligations of Bluegreen are not direct obligations of BBX Capital and generally are non-recourse to BBX Capital. 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 its subsidiaries, including Bluegreen, in connection with its tax sharing agreement to the extent that the subsidiary utilizes BBX Capital's tax benefits in BBX Capital's consolidated tax return. During the years ended December 31, 2019, 2018, and 2017, BBX Capital received \$13.0 million, \$23.1 million, and \$39.3 million, respectively, of tax sharing payments from Bluegreen.

#### *Anticipated and Potential Liquidity Requirements*

BBX Capital expects to use its available funds for operations and general corporate purposes (including working capital, capital expenditures, and debt service requirements and the Company's other commitments described above) to make additional investments in real estate opportunities, operating businesses, or other opportunities, to declare and pay cash dividends on the Company's common stock, or to purchase shares of its common stock.

In November 2018, BBXRE acquired a 50% membership interest in the Altman Companies, a joint venture between the Company and JA engaged in the development, construction, and management of multifamily apartment communities. Although the Altman Companies generates revenues from the performance of development, general contractor, leasing, and property management services to the joint ventures that are formed to invest in the development projects that it originates, it is expected to generate profits for BBXRE and JA primarily through the equity distributions that BBXRE and JA receive through their investment in the managing member of such joint ventures. Therefore, as the timing of such distributions to BBXRE and JA is generally contingent upon the sale or refinancing of a completed development project, it is anticipated that BBXRE and JA will be required to contribute capital to the Altman Companies for its ongoing operating costs and predevelopment expenditures, as well as to the managing member of newly formed joint ventures. At the current time, BBXRE anticipates that it will invest approximately \$4.0 million to \$6.0 million in the Altman Companies and related joint ventures during the year ended December 31, 2020 related to planned predevelopment expenditures, investments in new joint ventures, and ongoing operating costs. In addition, BBXRE currently anticipates that it will contribute an additional \$1.3 million to ABBX Guaranty, LLC, a joint venture between BBXRE and JA that provides guarantees on the indebtedness and construction cost overruns of new real estate joint ventures formed by the Altman Companies.

Pursuant to the operating agreement of the Altman Companies, BBXRE will also acquire an additional 40% equity interest in the Altman Companies from JA for a purchase price of \$9.4 million in January 2023, and JA can also, at his option or in other predefined circumstances, require BBXRE to purchase his remaining 10% equity interest in the Altman Companies for \$2.4 million. In addition, in certain circumstances, BBXRE may acquire the 40% membership interests in Altman-Glenewinkel Construction that are not owned by the Altman Companies for a purchase price based on prescribed formulas in the operating agreement of Altman-Glenewinkel Construction.

In addition to BBXRE's anticipated investments in the Altman Companies and related joint ventures, BBXRE has entered into two real estate joint ventures, CCB Miramar, LLC and L03/212 Partners, LLC, in which the Company expects to contribute additional capital of approximately \$4.5 million during the next twelve to twenty-four months based on the current plans and estimates associated with the related development projects.

IT'SUGAR expects to renovate certain existing stores during the year ended December 31, 2020 and is evaluating potential new locations to be opened in 2020 and 2021. Although IT'SUGAR is continuing to evaluate the size and location of these potential new stores, IT'SUGAR expects that it may incur between \$5.0 million to \$10.0 million of capital expenditures, net of tenant allowance reimbursements, during the year ended December 31, 2020 related to such locations.

BBX Capital has previously indicated its intention to declare regular quarterly dividends on its Class A and Class B Common Stock and declared cash dividends of \$0.05 per share on its common stock, or \$4.8 million in the aggregate, during the year ended December 31, 2019. However, 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, its operating and capital needs, and other factors deemed relevant by the board of directors.

On June 13, 2017, BBX Capital's board of directors approved a share repurchase program which authorizes the purchase 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 authorizes management, at its discretion, to purchase shares from time to time subject to market conditions and other factors. During the year ended December 31, 2019, BBX Capital purchased 3,228,890 shares of its Class A Common Stock for approximately \$15.4 million. As of December 31, 2019, BBX Capital had purchased 4,750,483 shares of its Class A Common Stock for approximately \$25.4 million pursuant to the June 2017 share repurchase program.

In October 2019, a total of 222,848 shares of the Company's Class A Common Stock and 748,357 shares of the Company's Class B Common Stock previously owned by certain executive officers were surrendered to the Company to satisfy \$4.5 million of withholding tax obligations associated with the vesting of their restricted stock awards. The Company has 2,817,776 unvested restricted stock awards outstanding as of December 31, 2019 and anticipates that, to the extent that such awards vest, it will fund the cash payments associated with the related withholding tax obligations in return for the surrender of a portion of such awards.

In April 2015, BBX Capital borrowed \$80.0 million from a wholly-owned subsidiary of Bluegreen. Payments of interest are required on a quarterly basis, with the entire \$80.0 million principal balance and accrued interest currently 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. BBX Capital may be required to repay all or a portion of the \$80.0 million borrowed from Bluegreen if required by Bluegreen to maintain its compliance with the covenants of its outstanding debt and will be required to repay the loan if the maturity date is not extended.

In addition to the note payable to Bluegreen, the Company has other indebtedness which is summarized in Commitments above. 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.

#### *Credit Facilities with Future Availability*

As of December 31, 2019, BBX Capital and certain of its subsidiaries had the following credit facilities with future availability, subject to eligible collateral and the terms of the facilities, as applicable.

*IberiaBank \$50.0 million Revolving Line of Credit.* In March 2018, BBX Capital and certain of its wholly-owned subsidiaries entered into a Loan and Security Agreement and related agreements with IberiaBank ("Iberia"), as administrative agent and lender, and City National Bank of Florida, as lender, which provide for a \$50.0 million revolving line of credit. Amounts borrowed under the facility 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 are payable monthly. The facility matures, and all outstanding principal and interest will be payable, on June 30, 2021, 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 \$100.0 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, BBX Capital is required to comply with certain financial covenants, including maintaining minimum unencumbered liquidity and complying with debt to EBITDA financial ratios. 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. As of December 31, 2019, there were no borrowings outstanding under the credit facility.

*Toronto-Dominion Commercial Bank.* In May 2017, Renin entered into a credit facility with TD Bank that was subsequently renewed in September 2019 and 2018. Under the terms and conditions of the 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 subject to certain terms and conditions. As of December 31, 2019, the outstanding amounts under the term loan and revolving credit facility were \$0.7 million and \$6.1 million, respectively, with effective interest rates of 5.89% and 5.62%, respectively.

As of December 31, 2019, Renin was not in compliance with certain covenants under the credit facility as a result of a breach of its quarterly debt service coverage ratio. During the first quarter of 2020, Renin received a waiver of the default from TD Bank, and the credit facility was amended to replace the existing debt service coverage ratio with an interest coverage ratio. In connection with the amendment to the credit facility, Renin repaid the outstanding balance of the term loan with borrowings from the revolving credit facility.

*Bank of America Revolving Line of Credit.* In August 2018, IT'SUGAR entered into a revolving credit facility with Bank of America. Under the terms and conditions of the credit facility, Bank of America has agreed to provide a revolving line of credit to IT'SUGAR for up to \$4.0 million based on available collateral as defined by the credit facility and subject to IT'SUGAR's compliance with the terms and conditions of the credit facility, including certain specific financial covenants. The revolving credit facility matures in August 2021, and amounts outstanding bear interest at a LIBOR daily floating rate plus 1.50% or a monthly LIBOR rate subject to the terms and conditions of the credit facility. Payments of interest only are payable monthly. As of December 31, 2019, the outstanding amount under the revolving credit facility was \$2.0 million.

*Banc of America Leasing & Capital Equipment Note.* In September 2018, IT'SUGAR entered into a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC which sets forth the terms and conditions pursuant to which IT'SUGAR may borrow funds to purchase equipment under one or more equipment security notes. The Agreement contains customary representations and covenants. Each equipment note constitutes a separate, distinct and independent financing of equipment and is secured by a security interest in the purchased equipment and is an unconditional contractual obligation of IT'SUGAR. As of December 31, 2019, there was one equipment note outstanding with a balance of \$0.4 million.

As of December 31, 2019, BBX Capital and its subsidiaries (other than Bluegreen) had availability of approximately \$57.0 million under the above revolving lines of credit, subject to eligible collateral and the terms of the facilities, as applicable.

### **Bluegreen**

Bluegreen believes that it has sufficient liquidity from the sources described below to fund operations, including its anticipated working capital, capital expenditure, and debt service requirements, for the foreseeable future, subject to the success of its ongoing business strategy and the ongoing availability of credit.

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 resort management operations.

While the vacation ownership business has historically been capital intensive, and Bluegreen has in the past and may in the future pursue transactions or activities which may require significant capital investment, Bluegreen 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. Bluegreen considers free cash flow to be a measure of cash generated by operating activities that can be used for future investing and financing activities, however, it is not a guarantee that Bluegreen will use its excess cash flows for such purposes.

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 provide a minimum of 10% to 20% of the purchase price in cash or equity 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 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. If there is a tightening of credit or instability or volatility in the financial markets, as a result of the coronavirus or otherwise, there is no assurance that financing or securitization of VOIs will be available to us in the future at acceptable terms, or at all. Further, the recent coronavirus outbreak in the United States could impact leisure travel and the sale of vacation packages and VOIs. While it is too early to gauge the likely duration or ultimate impact, package sales have declined and trip cancellations have increased since the coronavirus outbreak in the United States. 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 2020 are expected to be in a range of \$50.0 million to \$60.0 million, which primarily relate to developments at the Bluegreen/Big Cedar Vacations resort and refurbishments at certain of Bluegreen's resorts, including Bluegreen's Blue Ridge Village resort in Banner Elk, North Carolina.

In connection with Bluegreen’s capital-light business 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 VOIs. 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 generally 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 2020 is expected to range between \$10.0 million to \$15.0 million.

Capital expenditures in connection with Bluegreen’s sales and marketing facilities, as well as its information technology capital expenditures, are expected to be in a range of \$5.0 million to \$10.0 million in 2020.

Available funds may also be used to acquire or develop VOIs at other existing or new locations, acquire other businesses or assets, invest in other real estate based opportunities, or to fund loans to affiliates or others.

Bluegreen’s level of debt and debt service requirements have several important effects on Bluegreen’s operations, including that: (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.

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. As of December 31, 2019, Bluegreen had the following credit facilities with future availability, 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<br/>as of December<br/>31, 2019</b> | <b>Outstanding<br/>Balance as of<br/>December 31,<br/>2019</b> | <b>Availability as of<br/>December 31,<br/>2019</b> | <b>Advance Period<br/>Expiration; Borrowing<br/>Maturity as of<br/>December 31, 2019</b> | <b>Borrowing Rate; Rate as of<br/>December 31, 2019</b> |
|------------------------------|--|--|---|--|---|
| Liberty Bank Facility        | \$ 50,000  | \$ 25,860  | \$ 24,140   | June 2020;<br>March 2023   | Prime Rate; floor of 4.00%;<br>4.75%                    |
| NBA Receivables Facility     | 70,000   | 32,405   | 37,595  | September 2020; March<br>2025  | 30 day LIBOR+2.75%;<br>floor of 3.50%;<br>4.55%         |
| Pacific Western Facility     | 40,000   | 30,304   | 9,696   | September 2021;<br>September 2024  | 30 day LIBOR+2.75% to<br>3.00%; 4.68%                   |
| KeyBank/DZ Purchase Facility | 80,000   | 31,708   | 48,292  | December 2022;<br>December 2024  | 30 day LIBOR or CP<br>+2.25%; 3.99% <sup>(1)</sup>      |
| Quorum Purchase Facility     | 50,000   | 44,525   | 5,475   | June 2020;<br>December 2032  | (2)   |
|                              | <u>\$ 290,000</u>                                      | <u>\$ 164,802</u>  | <u>\$ 125,198</u>                                   |  |   |

- (1) Borrowings accrue interest at a rate equal to either LIBOR, a “Cost of Funds” rate or commercial paper (“CP”) rates plus 2.25%. The interest rate will increase to the applicable rate plus 3.25% upon the expiration of the advance period.
- (2) Of the amounts outstanding under the Quorum Purchase Facility at December 31, 2019, \$3.1 million accrues interest at a rate per annum of 4.75%, \$21.3 million accrues interest at a fixed rate of 4.95%, \$1.6 million accrues interest at a fixed rate of 5.0%, \$17.2 million accrues interest at a fixed rate of 5.10%, and \$1.3 million accrues at a fixed rate of 5.50%.

## 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. In October 2019, Bluegreen amended the facility and increased the facility to \$225.0 million. The amended facility includes a \$100.0 million term loan (the “Fifth Third Syndicated Term Loan”) with quarterly amortization requirements and a \$125.0 million revolving line of credit (the “Fifth Third Syndicated Line-of-Credit”). Borrowings under the amended facility generally bear interest at LIBOR plus 2.00% - 2.50%, depending on Bluegreen’s leverage ratio, are collateralized by certain of Bluegreen’s VOI inventories, sales center buildings, management fees, short-term receivables and cash flows from residual interests relating to certain term securitizations, and will mature in October 2024. At closing, Bluegreen borrowed the entire \$100.0 million term loan and \$30.0 million under the revolving line of credit. Proceeds were used to repay the outstanding balance on the existing Fifth Third Syndicated Credit Facility, repay \$3.6 million on the existing Fifth Third Bank Note Payable and pay expenses and fees associated with the amendment with the remainder to be used for general corporate purposes. As of December 31, 2019, outstanding borrowings under the facility totaled \$128.8 million, including \$98.8 million under the Fifth Third Syndicated Term Loan with an interest rate of 3.71%, and \$30.0 million under the Fifth Third Syndicated Line of Credit with an interest rate of 3.85%.

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, but not limited to, those that relate to the determination of:

- The allowance for loan losses on VOI notes receivable;
- The estimated future sales value of VOI inventory;
- The recognition of revenue;
- 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 and 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:

- The recognition of revenue;
- Allowance for loan losses on VOI notes receivable;
- The estimated future sales value of VOI inventory;
- Evaluating long-lived assets and definite lived intangible assets for impairment; and
- Evaluating goodwill and indefinite lived intangible assets for impairment.

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**

### *Variable Consideration*

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, is fully amortizing in equal installments, and may be prepaid without penalty. For sales of VOIs for which Bluegreen provides financing, Bluegreen reduces the transaction price for expected loan losses, which is considered to be variable consideration. To the extent Bluegreen determines that it is probable that a significant reversal of cumulative revenue recognized may occur, it records an estimate of variable consideration as a reduction to the transaction price of the sales of VOIs until the uncertainty associated with the variable consideration is resolved. Bluegreen's estimate of variable consideration is based on the results of its static pool analysis, which relies on historical payment data for similar VOI notes receivable and tracks uncollectibles for each period's sales over the entire life of the notes. Bluegreen also considers whether historical economic conditions are comparable to then current economic conditions, as well as variations in underwriting standards. Bluegreen reviews its estimate of variable consideration on at least a quarterly basis. See "Allowance for Loan Losses on VOI Notes Receivable" below for a further discussion on expected loan loss estimates.

### *Variable Consideration on Trade Sales and Sales of Real Estate Inventory*

The Company's trade sales are generally sold with a right of return, and the Company may provide other sales credits or incentives, such as volume discounts or rebates. Additionally, the Company is entitled to contingent consideration on certain single-family lot sales to builders. These programs are accounted for as variable consideration when determining the amount of revenue to recognize upon transfer of control. Estimates of contingent consideration, returns, and incentives are calculated using the expected value method and updated at the end of each reporting period when additional information becomes available. Variable consideration estimates are based on historical experience adjusted for current economic conditions and sales trends. These estimates rely on assumptions and judgments regarding issues where the outcome is unknown, and actual results or values may differ significantly from these estimates. A significant change in the timing of revenue recognized could occur if actual variable consideration is significantly different than our estimates.

### *Identification of Distinct Performance Obligations*

Bluegreen's resort and club management revenue and related cost reimbursements are recognized as services are rendered. These services provided to the resort HOAs are comprised of day-to-day services to operate the resort, including management services and certain accounting and administrative functions. Management services provided to the Vacation Club include managing the reservation system and providing owner, billing and collection services. Bluegreen's management contracts are typically structured as cost-plus with an initial term of three years and automatic one year renewals. Bluegreen believes these services to be a series of distinct goods and services to be accounted for as a single performance obligation over time and recognizes revenue as the customer receives the benefits of its services.

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

The allowance for loan losses is related to the notes receivable generated in connection with financing Bluegreen's VOI sales. Bluegreen holds large amounts of homogeneous VOI notes receivable and assesses uncollectibility based on pools of receivables, as Bluegreen believes that there are no significant concentrations of credit risk with any individual counterparty or groups of counterparties. In estimating future loan losses, Bluegreen 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 age of the respective receivables, default trends and prepayment rates by origination year, as well as the FICO scores of the borrowers.

### *The Estimated Future Sales Value of VOI Inventory*

Bluegreen carries its completed inventory 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. Bluegreen uses the relative sales value method for establishing the cost of its VOI sales and relieving inventory, which requires Bluegreen to make estimates subject to significant uncertainty. 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 based on 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, Bluegreen does not relieve inventory for VOI cost of sales related to anticipated loan losses. Accordingly, no adjustment is made when inventory is reacquired upon default of the related receivable.

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

The Company evaluates its long-lived assets and definite-lived intangible assets, including property and equipment, real estate held-for-investment, and Bluegreen's undeveloped or under development resort properties, for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. With respect to property and equipment associated with new retail locations, the Company assesses whether there are indicators of impairment upon the earlier of the stabilization of the applicable retail location or twelve to eighteen months following the opening of the location (depending on the maturity of the retail brand). The carrying amounts of assets are not considered recoverable when the carrying amounts exceed the undiscounted cash flows estimated to be generated by those assets. As the carrying amounts of these assets are dependent upon estimates of future earnings that they are expected to generate, these assets may be impaired if cash flows decrease significantly or do not meet expectations, 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. As of December 31, 2019, the Company had capitalized in excess of \$9.2 million of property and equipment associated with new IT'SUGAR retail locations which had not stabilized or had not been open for twelve to eighteen months. To the extent that these retail locations do not meet expectations or actual performance within twelve to eighteen months following the opening of such locations indicates that the carrying amounts of the property and equipment associated with such locations may not be recoverable, we may recognize impairment charges associated with these locations in future periods.

### ***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 tested its goodwill for impairment on December 31, 2019 (its annual testing date). The Company determined that the \$35.2 million of goodwill assigned to the IT'SUGAR reporting unit at December 31, 2019 was not impaired. However, if the IT'SUGAR reporting unit does not meet expectations or if there is a downturn in the confectionery industry, we may recognize goodwill impairment charges in future periods. The Company's goodwill as of December 31, 2019 and 2018 was \$37.2 million.

The Company's indefinite lived intangible assets as of December 31, 2019 consisted of \$61.3 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. Management contracts are impaired when the fair value of the contract is lower than the carrying value. The fair value of management contracts is based on an evaluation of estimated cash flows that can be generated from the contract which are uncertain and subject to change. Due to the uncertainties associated with such evaluations, actual results could differ materially from such estimates and the Company could recognize impairments on management contracts if future cash flows do not meet expectations.

## **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. The Company's primary market risk is equity price risk, interest rate risk and commodity price 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 and real estate inventory. 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 though 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, 2019, 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 and Bluegreen's 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, 2019, Bluegreen had fixed interest rate debt of approximately \$334.2 million and floating interest rate debt of approximately \$343.6 million, excluding purchase accounting adjustments for junior subordinated debentures of \$36.8 million. In addition, Bluegreen's notes receivables as of December 31, 2019 were comprised of approximately \$589.2 million of notes bearing interest at fixed rates and approximately \$0.6 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, 2019 balances.

The Company is subject to commodity pricing risk in connection with its Renin and BBX Sweet Holdings operating businesses. Commodity price increases or decreases ultimately result in corresponding changes in raw material prices which could impact our financial condition and results of operations. We have not in the past entered into, and do not currently have any plans to enter into, commodity futures and options contracts to reduce our commodity pricing risk.

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 \$3.4 million based on December 31, 2019 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 \$3.0 million based on December 31, 2019 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. Further, in the event of tightened credit markets, there may be a significant tightening of availability under our existing lines, we may be unable to renew our lines of credit or obtain new facilities. In addition, Bluegreen's ability to borrow against or sell its VOI notes receivable has historically been a critical factor in its liquidity. As a result, instability or volatility in the financial markets restricting the availability of credit, including any tightening of the credit markets in connection with the recent coronavirus outbreak, may adversely impact the Company's business, results of operations, liquidity, or financial condition.

## 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 its 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 December 2018, 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 and development 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 rental rates and real estate sales prices, rental rates and 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

|   |     |
|---|-----|
| <a href="#">Report of Independent Registered Public Accounting Firm</a>   | F-2 |
| <a href="#">Consolidated Statements of Financial Condition as of December 31, 2019 and 2018</a>   | F-3 |
| <a href="#">Consolidated Statements of Operations and Comprehensive Income for each of the years in the three year period ended December 31, 2019</a> | F-4 |
| <a href="#">Consolidated Statements of Changes in Equity for each of the years in the three year period ended December 31, 2019</a>                   | F-5 |
| <a href="#">Consolidated Statements of Cash Flows for each of the years in the three year period ended December 31, 2019</a>                          | F-7 |
| <a href="#">Notes to Consolidated Financial Statements</a>  | F-9 |

## 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, 2019 and 2018, 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, 2019, and the related notes (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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 13, 2020 expressed an unqualified opinion.

### Change in accounting principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

### 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 13, 2020

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

|  | December 31,        |                  |
|--|---------------------|------------------|
|  | 2019                | 2018             |
| <b>ASSETS</b>  |                     |                  |
| Cash and cash equivalents  | \$ 356,604          | 366,305          |
| Restricted cash (\$22,534 in 2019 and \$28,400 in 2018 in variable interest entities ("VIEs"))   | 50,266              | 54,792           |
| Notes receivable, net (\$292,590 in 2019 and \$341,975 in 2018 in VIEs)  | 449,162             | 439,167          |
| Trade inventory  | 22,843              | 20,110           |
| Vacation ownership interest ("VOI") inventory  | 346,937             | 334,149          |
| Real estate (\$11,297 in 2019 and \$20,202 in 2018 held for sale)  | 65,818              | 54,956           |
| Investments in unconsolidated real estate joint ventures   | 57,330              | 64,738           |
| Property and equipment, net  | 129,686             | 139,628          |
| Goodwill   | 37,248              | 37,248           |
| Intangible assets, net   | 68,186              | 69,710           |
| Operating lease assets   | 109,351             | —                |
| Other assets   | 97,540              | 124,217          |
| <b>Total assets</b>  | <b>\$ 1,790,971</b> | <b>1,705,020</b> |
| <b>LIABILITIES AND EQUITY</b>  |                     |                  |
| <b>Liabilities:</b>  |                     |                  |
| Accounts payable   | \$ 25,957           | 29,537           |
| Deferred income  | 18,074              | 16,522           |
| Escrow deposits  | 22,711              | 22,255           |
| Other liabilities  | 120,362             | 104,441          |
| Receivable-backed notes payable - recourse   | 88,569              | 76,674           |
| Receivable-backed notes payable - non-recourse (in VIEs)   | 334,246             | 382,257          |
| Notes payable and other borrowings   | 188,731             | 200,887          |
| Junior subordinated debentures   | 137,254             | 136,425          |
| Operating lease liabilities  | 123,430             | —                |
| Deferred income taxes  | 87,558              | 86,363           |
| Redeemable 5% cumulative preferred stock of \$.01 par value; authorized 15,000 shares;<br>issued and outstanding 0 shares in 2019 and 10,000 shares in 2018 with a stated value of \$1,000 per share | —                   | 9,472            |
| <b>Total liabilities</b>   | <b>1,146,892</b>    | <b>1,064,833</b> |
| Commitments and contingencies (See Note 16)  |                     |                  |
| Redeemable noncontrolling interest   | 4,009               | 2,579            |
| <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;<br>issued and outstanding 75,530,331 in 2019 and 78,379,530 in 2018  | 755                 | 784              |
| Class B Common Stock of \$.01 par value; authorized 20,000,000 shares;<br>issued and outstanding 15,957,853 in 2019 and 14,840,634 in 2018   | 160                 | 148              |
| Additional paid-in capital   | 152,775             | 161,684          |
| Accumulated earnings   | 394,551             | 385,789          |
| Accumulated other comprehensive income   | 1,554               | 1,215            |
| <b>Total shareholders' equity</b>  | <b>549,795</b>      | <b>549,620</b>   |
| Noncontrolling interests   | 90,275              | 87,988           |
| <b>Total equity</b>  | <b>640,070</b>      | <b>637,608</b>   |
| <b>Total liabilities and equity</b>  | <b>\$ 1,790,971</b> | <b>1,705,020</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>2019</b>                             | <b>2018</b>    | <b>2017</b>    |
| <b>Revenues:</b>   |   |                |                |
| Sales of VOIs  | \$ 255,375                              | 254,225        | 242,017        |
| Fee-based sales commissions  | 207,832                                 | 216,422        | 229,389        |
| Other fee-based services   | 125,244                                 | 118,024        | 111,819        |
| Cost reimbursements  | 63,889                                  | 62,534         | 52,639         |
| Trade sales  | 186,337                                 | 179,486        | 142,085        |
| Sales of real estate inventory   | 5,049                                   | 21,771         | —              |
| Interest income  | 86,326                                  | 85,501         | 83,708         |
| Net gains on sales of real estate assets   | 13,616                                  | 4,563          | 1,451          |
| Other revenue  | 3,203                                   | 3,372          | 5,661          |
| <b>Total revenues</b>  | <b>946,871</b>                          | <b>945,898</b> | <b>868,769</b> |
| <b>Costs and Expenses:</b>   |   |                |                |
| Cost of VOIs sold  | 21,845                                  | 23,813         | 17,679         |
| Cost of other fee-based services   | 86,940                                  | 72,968         | 64,560         |
| Cost reimbursements  | 63,889                                  | 62,534         | 52,639         |
| Cost of trade sales  | 127,720                                 | 125,640        | 107,335        |
| Cost of real estate inventory sold   | 2,643                                   | 14,116         | —              |
| Interest expense   | 45,782                                  | 42,075         | 35,205         |
| Recoveries from loan losses, net   | (5,428)                                 | (8,653)        | (7,546)        |
| Impairment losses  | 6,938                                   | 4,718          | 7,482          |
| Net gains on cancellation of junior subordinated debentures                        | —                                       | —              | (6,929)        |
| Reimbursements of litigation costs and penalty                                     | —                                       | (600)          | (13,169)       |
| Selling, general and administrative expenses                                       | 585,686                                 | 537,812        | 532,061        |
| <b>Total costs and expenses</b>  | <b>936,015</b>                          | <b>874,423</b> | <b>789,317</b> |
| Equity in net earnings of unconsolidated real estate joint ventures                | 37,898                                  | 14,194         | 12,541         |
| Other income   | 82                                      | 1,695          | 801            |
| Foreign exchange (loss) gain   | (75)                                    | 68             | (193)          |
| Income before income taxes   | 48,761                                  | 87,432         | 92,601         |
| (Provision) benefit for income taxes   | (16,658)                                | (31,639)       | 9,702          |
| Net income   | 32,103                                  | 55,793         | 102,303        |
| Less: Net income attributable to noncontrolling interests                          | 14,412                                  | 20,691         | 18,378         |
| <b>Net income attributable to shareholders</b>                                     | <b>\$ 17,691</b>                        | <b>35,102</b>  | <b>83,925</b>  |
| <b>Basic earnings per share</b>  | <b>\$ 0.19</b>                          | <b>0.37</b>    | <b>0.85</b>    |
| <b>Diluted earnings per share</b>  | <b>\$ 0.19</b>                          | <b>0.36</b>    | <b>0.81</b>    |
| Basic weighted average number of common shares outstanding                         | 92,628                                  | 95,298         | 98,745         |
| Diluted weighted average number of common and common equivalent shares outstanding | 93,654                                  | 97,860         | 103,916        |
| <b>Cash dividends declared per Class A common share</b>                            | <b>\$ 0.05</b>                          | <b>0.04</b>    | <b>0.03</b>    |
| <b>Cash dividends declared per Class B common share</b>                            | <b>\$ 0.05</b>                          | <b>0.04</b>    | <b>0.03</b>    |
| <b>Net income</b>  | <b>\$ 32,103</b>                        | <b>55,793</b>  | <b>102,303</b> |
| <b>Other comprehensive income, net of tax:</b>                                     |   |                |                |
| Unrealized gain (loss) on securities available for sale                            | 52                                      | (47)           | 135            |
| Foreign currency translation adjustments   | 287                                     | (194)          | 406            |
| Other comprehensive gain (loss), net   | 339                                     | (241)          | 541            |
| <b>Comprehensive income, net of tax</b>  | <b>32,442</b>                           | <b>55,552</b>  | <b>102,844</b> |
| Less: Comprehensive income attributable to noncontrolling interests                | 14,412                                  | 20,691         | 18,378         |
| <b>Comprehensive income attributable to shareholders</b>                           | <b>\$ 18,030</b>                        | <b>34,861</b>  | <b>84,466</b>  |

See Notes to Consolidated Financial Statements



**BBX Capital Corporation**  
**Consolidated Statements of Changes in Equity**  
**For Each of the Years in the Three Year Period Ended December 31, 2019**  
(In thousands)

|  | Shares of<br>Common Stock<br>Outstanding |               | Common<br>Stock<br>Class |            | Additional<br>Paid-in<br>Capital | Accumulated<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholders'<br>Equity | Non-<br>controlling<br>Interests | Total<br>Equity |
|--|--|---------------|--------------------------|------------|----------------------------------|-------------------------|---|----------------------------------|----------------------------------|-----------------|
|  | 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>270,665</b>          | <b>1,167</b>                                    | <b>466,159</b>                   | <b>41,609</b>                    | <b>507,768</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                          | —  | —             | —                        | —          | —                                | 83,925                  | —   | 83,925                           | 18,203                           | 102,128         |
| Other comprehensive income   | —  | —             | —                        | —          | —                                | —                       | 541   | 541                              | —                                | 541             |
| Bluegreen initial public offering, net of income taxes   | —  | —             | —                        | —          | 50,303                           | —                       | —   | 50,303                           | 33,632                           | 83,935          |
| Distributions to noncontrolling interests  | —  | —             | —                        | —          | —                                | —                       | —   | —                                | (11,390)                         | (11,390)        |
| Class A common stock cash dividends declared   | —  | —             | —                        | —          | —                                | (2,711)                 | —   | (2,711)                          | —                                | (2,711)         |
| Class B common stock cash dividends declared   | —  | —             | —                        | —          | —                                | (501)                   | —   | (501)                            | —                                | (501)           |
| Purchase 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>228,331</b>                   | <b>354,432</b>          | <b>1,708</b>                                    | <b>585,468</b>                   | <b>82,054</b>                    | <b>667,522</b>  |
| Cumulative effect from the adoption of ASU 2016-01   | —  | —             | —                        | —          | —                                | 252                     | (252)   | —                                | —                                | —               |
| Net income excluding \$370 of loss attributable to redeemable noncontrolling interest                              | —  | —             | —                        | —          | —                                | 35,102                  | —   | 35,102                           | 21,061                           | 56,163          |
| Other comprehensive income   | —  | —             | —                        | —          | —                                | —                       | (241)   | (241)                            | —                                | (241)           |
| Distributions to noncontrolling interests  | —  | —             | —                        | —          | —                                | —                       | —   | —                                | (14,284)                         | (14,284)        |
| Bluegreen purchase and retirement of its common stock  | —  | —             | —                        | —          | (2,124)                          | —                       | —   | (2,124)                          | (1,876)                          | (4,000)         |
| Increase in noncontrolling interest from loan foreclosure  | —  | —             | —                        | —          | —                                | —                       | —   | —                                | 704                              | 704             |
| Purchase of noncontrolling interests   | —  | —             | —                        | —          | (587)                            | —                       | —   | (587)                            | 329                              | (258)           |
| Class A common stock cash dividends declared   | —  | —             | —                        | —          | —                                | (3,281)                 | —   | (3,281)                          | —                                | (3,281)         |
| Class B common stock cash dividends declared   | —  | —             | —                        | —          | —                                | (716)                   | —   | (716)                            | —                                | (716)           |
| Purchase and retirement of common stock from tender offer  | (6,486)                                  | —             | (65)                     | —          | (60,076)                         | —                       | —   | (60,141)                         | —                                | (60,141)        |
| Purchase and retirement of common stock  | (1,990)                                  | (505)         | (20)                     | (5)        | (16,981)                         | —                       | —   | (17,006)                         | —                                | (17,006)        |
| Conversion of common stock from Class B to Class A   | 38                                       | (38)          | 1                        | (1)        | —                                | —                       | —   | —                                | —                                | —               |
| Issuance of common stock from vesting of restricted stock awards   | 1,101                                    | 1,421         | 11                       | 14         | (25)                             | —                       | —   | —                                | —                                | —               |
| Issuance of common stock from exercise of options  | 27                                       | —             | —                        | —          | 245                              | —                       | —   | 245                              | —                                | 245             |
| Share-based compensation   | —  | —             | —                        | —          | 12,901                           | —                       | —   | 12,901                           | —                                | 12,901          |
| <b>Balance, December 31, 2018</b>  | <b>78,379</b>                            | <b>14,841</b> | <b>\$ 784</b>            | <b>148</b> | <b>161,684</b>                   | <b>385,789</b>          | <b>1,215</b>                                    | <b>549,620</b>                   | <b>87,988</b>                    | <b>637,608</b>  |

Continued

See Notes to Consolidated Financial Statements

**BBX Capital Corporation**  
**Consolidated Statements of Changes in Equity**  
**For Each of the Years in the Three Year Period Ended December 31, 2019**  
(In thousands)

|  | Shares of     |               | Common        |            | Additional     | Accumulated    | Accumulated  | Total          | Non-          | Total          |         |          |       |               |             |        |
|--|---------------|---------------|---------------|------------|----------------|----------------|--------------|----------------|---------------|----------------|---------|----------|-------|---------------|-------------|--------|
|  | Common Stock  |               | Stock         |            |                |                |              |                |               |                | Paid-in | Earnings | Other | Shareholders' | controlling | Equity |
|  | Outstanding   |               | Class         |            |                |                |              |                |               |                |         |          |       |               |             |        |
|  | A             | B             | A             | B          |                |                |              |                |               |                |         |          |       |               |             |        |
| <b>Balance, December 31, 2018</b>  | <b>78,379</b> | <b>14,841</b> | <b>\$ 784</b> | <b>148</b> | <b>161,684</b> | <b>385,789</b> | <b>1,215</b> | <b>549,620</b> | <b>87,988</b> | <b>637,608</b> |         |          |       |               |             |        |
| Cumulative effect from the adoption of ASU 2016-02, net of income taxes and redeemable noncontrolling interest | —             | —             | —             | —          | —              | (2,202)        | —            | (2,202)        | —             | (2,202)        |         |          |       |               |             |        |
| Net income excluding \$326 of loss attributable to redeemable noncontrolling interest                          | —             | —             | —             | —          | —              | 17,691         | —            | 17,691         | 14,738        | 32,429         |         |          |       |               |             |        |
| Accretion of redeemable noncontrolling interest  | —             | —             | —             | —          | —              | (1,902)        | —            | (1,902)        | —             | (1,902)        |         |          |       |               |             |        |
| Purchase and retirement of common stock  | (3,451)       | (749)         | (35)          | (7)        | (19,997)       | —              | —            | (20,039)       | —             | (20,039)       |         |          |       |               |             |        |
| Other comprehensive income   | —             | —             | —             | —          | —              | —              | 339          | 339            | —             | 339            |         |          |       |               |             |        |
| Bluegreen purchase and retirement of its common stock  | —             | —             | —             | —          | (332)          | —              | —            | (332)          | (503)         | (835)          |         |          |       |               |             |        |
| Distributions to noncontrolling interests  | —             | —             | —             | —          | —              | —              | —            | —              | (11,948)      | (11,948)       |         |          |       |               |             |        |
| Class A common stock cash dividends declared   | —             | —             | —             | —          | —              | (3,878)        | —            | (3,878)        | —             | (3,878)        |         |          |       |               |             |        |
| Class B common stock cash dividends declared   | —             | —             | —             | —          | —              | (947)          | —            | (947)          | —             | (947)          |         |          |       |               |             |        |
| Conversion of common stock from Class B to Class A   | 36            | (36)          | —             | —          | —              | —              | —            | —              | —             | —              |         |          |       |               |             |        |
| Issuance of common stock from vesting of restricted stock awards   | 566           | 1,902         | 6             | 19         | (25)           | —              | —            | —              | —             | —              |         |          |       |               |             |        |
| Share-based compensation   | —             | —             | —             | —          | 11,445         | —              | —            | 11,445         | —             | 11,445         |         |          |       |               |             |        |
| <b>Balance, December 31, 2019</b>  | <b>75,530</b> | <b>15,958</b> | <b>\$ 755</b> | <b>160</b> | <b>152,775</b> | <b>394,551</b> | <b>1,554</b> | <b>549,795</b> | <b>90,275</b> | <b>640,070</b> |         |          |       |               |             |        |

See Notes to Consolidated Financial Statements

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

|   | <b>For the Years Ended December 31,</b> |                 |                 |
|---|---|-----------------|-----------------|
|   | <b>2019</b>                             | <b>2018</b>     | <b>2017</b>     |
| <b>Operating activities:</b>  |   |                 |                 |
| Net income  | \$ 32,103                               | 55,793          | 102,303         |
| <b>Adjustment to reconcile net income to net cash provided by operating activities:</b> |   |                 |                 |
| Recoveries from loan losses, net  | (5,428)                                 | (8,653)         | (7,546)         |
| Provision for notes receivable allowances   | 55,677                                  | 51,236          | 46,412          |
| Depreciation, amortization and accretion, net   | 27,720                                  | 25,739          | 20,731          |
| Share-based compensation expense  | 11,445                                  | 12,901          | 12,259          |
| Net gains on sales of real estate and property and equipment                            | (9,396)                                 | (4,563)         | (1,451)         |
| Equity earnings of unconsolidated real estate joint ventures                            | (37,898)                                | (14,194)        | (12,541)        |
| Return on investment in unconsolidated real estate joint ventures                       | 39,043                                  | 17,679          | 12,852          |
| Increase (decrease) in deferred income tax  | 2,072                                   | 27,444          | (12,680)        |
| Impairment losses   | 6,938                                   | 4,718           | 7,482           |
| Net gains on cancellation of junior subordinated debentures                             | —                                       | —               | (6,929)         |
| Interest accretion on redeemable 5% cumulative preferred stock                          | 1,028                                   | 1,061           | 1,207           |
| Increase in notes receivable  | (65,672)                                | (63,545)        | (47,470)        |
| Increase in VOI inventory   | (12,788)                                | (32,022)        | (42,757)        |
| (Increase) decrease in trade inventory  | (2,733)                                 | 3,882           | (2,261)         |
| (Increase) decrease in real estate inventory  | (7,445)                                 | 12,001          | (273)           |
| Net change in operating lease asset and operating lease liability                       | 1,444                                   | —               | —               |
| Decrease (increase) in other assets   | 19,315                                  | (1,607)         | (7,410)         |
| Increase (decrease) in other liabilities  | 22,817                                  | (1,231)         | 3,671           |
| <b>Net cash provided by operating activities</b>  | <b>78,242</b>                           | <b>86,639</b>   | <b>65,599</b>   |
| <b>Investing activities:</b>  |   |                 |                 |
| Return of investment in unconsolidated real estate joint ventures                       | 31,442                                  | 12,080          | 6,440           |
| Investments in unconsolidated real estate joint ventures                                | (25,179)                                | (29,070)        | (5,310)         |
| Proceeds from repayment of loans receivable   | 6,171                                   | 19,394          | 11,168          |
| Proceeds from sales of real estate held-for-sale  | 23,512                                  | 17,431          | 15,081          |
| Proceeds from sales of property and equipment   | 16,642                                  | 569             | 341             |
| Additions to real estate held-for-sale and held-for-investment                          | (600)                                   | (1,221)         | (1,642)         |
| Purchases of property and equipment   | (35,588)                                | (45,550)        | (22,045)        |
| Cash paid for acquisition, net of cash received   | —                                       | —               | (58,418)        |
| Decrease in cash from other investing activities  | (81)                                    | (4,696)         | (380)           |
| <b>Net cash provided by (used in) investing activities</b>                              | <b>16,319</b>                           | <b>(31,063)</b> | <b>(54,765)</b> |

(Continued)

See Notes to Consolidated Financial Statements

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

|  | <b>For the Years Ended December 31,</b> |                 |                |
|--|---|-----------------|----------------|
|  | <b>2019</b>                             | <b>2018</b>     | <b>2017</b>    |
| <b>Financing activities:</b>   |   |                 |                |
| Repayments of notes payable and other borrowings                                     | (258,198)                               | (279,737)       | (233,132)      |
| Proceeds from notes payable and other borrowings                                     | 200,781                                 | 336,951         | 246,771        |
| Redemption of junior subordinated debentures   | —                                       | —               | (11,438)       |
| Payments for debt issuance costs   | (3,428)                                 | (1,121)         | (3,390)        |
| Payments of interest of redeemable 5% cumulative preferred stock                     | (500)                                   | (563)           | (750)          |
| Payments to redeem redeemable 5% cumulative preferred stock                          | (10,000)                                | —               | —              |
| Purchase and retirement of Class A common stock                                      | (20,039)                                | (77,147)        | (27,624)       |
| Purchase and retirement of subsidiary common stock                                   | (835)                                   | (4,000)         | —              |
| Purchase of noncontrolling interest  | —                                       | (258)           | —              |
| Proceeds from the exercise of stock options  | —                                       | 245             | 63             |
| Dividends paid on common stock   | (4,621)                                 | (3,812)         | (2,937)        |
| Bluegreen initial public offering, net of offering costs                             | —                                       | —               | 95,923         |
| Distributions to noncontrolling interests  | (11,948)                                | (14,284)        | (11,390)       |
| <b>Net cash (used in) provided by financing activities</b>                           | <b>(108,788)</b>                        | <b>(43,726)</b> | <b>52,096</b>  |
| <b>(Decrease) increase in cash, cash equivalents and restricted cash</b>             | <b>(14,227)</b>                         | <b>11,850</b>   | <b>62,930</b>  |
| Cash, cash equivalents and restricted cash at beginning of period                    | 421,097                                 | 409,247         | 346,317        |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                   | <b>\$ 406,870</b>                       | <b>421,097</b>  | <b>409,247</b> |
| <b>Supplemental cash flow information:</b>   |   |                 |                |
| Interest paid on borrowings, net of amounts capitalized                              | \$ 40,306                               | 37,424          | 29,980         |
| Income taxes paid  | 11,381                                  | 3,801           | 4,015          |
| <b>Supplementary disclosure of non-cash investing and financing activities:</b>      |   |                 |                |
| Construction funds receivable transferred to real estate                             | 18,318                                  | 14,548          | 11,276         |
| Acquisition of VOI inventory, property and equipment for notes payable               | —                                       | 24,258          | —              |
| Loans receivable transferred to real estate  | 333                                     | 1,673           | 1,365          |
| Reduction in note receivable from holder of redeemable 5% cumulative preferred stock | —                                       | (5,000)         | —              |
| Reduction in redeemable 5% cumulative preferred stock                                | —                                       | 4,862           | —              |
| Increase in other assets upon issuance of Community Development District Bonds       | 8,110                                   | 15,996          | —              |
| Assumption of Community Development District Bonds by builders                       | 1,035                                   | 5,572           | —              |
| <b>Reconciliation of cash, cash equivalents and restricted cash:</b>                 |   |                 |                |
| Cash and cash equivalents  | 356,604                                 | 366,305         | 362,526        |
| Restricted cash  | 50,266                                  | 54,792          | 46,721         |
| <b>Total cash, cash equivalents, and restricted cash</b>                             | <b>\$ 406,870</b>                       | <b>421,097</b>  | <b>409,247</b> |

See Notes to Consolidated Financial Statements

# BBX Capital Corporation

## Notes to Consolidated Financial Statements

### 1. Organization

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.”

In December 2016, BBX Capital completed the acquisition of all the outstanding shares of the former BBX Capital Corporation (“BCC”) not previously owned by it. Prior to the acquisition, BBX Capital had an 82% equity interest in BCC and a direct 54% equity interest in Woodbridge Holdings Corporation (“Woodbridge”), and BCC held the remaining 46% interest in Woodbridge. As a result of the acquisition, BCC and Woodbridge are wholly-owned subsidiaries of BBX Capital, and on January 30, 2017, BBX Capital changed its name from BFC Financial Corporation to BBX Capital Corporation.

#### *Principal Investments*

The Company’s principal investments include Bluegreen Vacations Corporation (“Bluegreen” or “Bluegreen Vacations”), BBX Capital Real Estate LLC (“BBX Capital Real Estate”), Renin Holdings, LLC (“Renin”), and BBX Sweet Holdings, LLC (“BBX Sweet Holdings”).

#### *Bluegreen*

Bluegreen is a leading vacation ownership company that markets and sells VOIs and manages resorts in popular leisure and urban destinations. Bluegreen’s resort network includes 45 Club Resorts (resorts in which owners in the Bluegreen Vacation Club (the “Vacation Club”) have the right to use most of the units in connection with their VOI ownership) and 23 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 markets, sells, and manages VOIs in resorts which are generally located in high-volume, “drive-to” vacation destinations, including Orlando, Las Vegas, Myrtle Beach, Charleston, and New Orleans, among others. Through its points-based system, the approximately 220,000 owners in Bluegreen’s Vacation Club have the flexibility to stay at units available at its resorts and have access to over 11,350 other hotels and resorts through partnerships and exchange networks. 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 earns fees for providing sales and marketing services to third party developers. Bluegreen also earns fees by providing management services to the Vacation Club and homeowners’ associations (“HOAs”), mortgage servicing, VOI title services, reservation services, and construction design and development services. In addition, Bluegreen provides financing to FICO score-qualified purchasers of VOIs, which generates significant interest income.

Prior to the fourth quarter of 2017, Woodbridge owned 100% of Bluegreen’s common stock. During the fourth quarter of 2017, Bluegreen completed an initial public offering (“IPO”) of its common stock in which Bluegreen sold to the public 3,736,723 shares of its common stock and Woodbridge, as a selling shareholder, sold to the public 3,736,722 shares of Bluegreen’s common stock. In addition, as of December 31, 2019, Bluegreen has repurchased and retired 371,762 shares of its common stock for \$4.8 million. As a result of Bluegreen’s IPO and subsequent share repurchases, BBX Capital owns approximately 90.5% of Bluegreen’s common stock through Woodbridge.

#### *BBX Capital Real Estate*

BBX Capital Real Estate is engaged in the acquisition, development, construction, ownership, financing, and management of real estate and investments in real estate joint ventures, including investments in multifamily apartment and townhome communities, single-family master-planned communities, and commercial properties located primarily in Florida. In addition, BBX Capital Real Estate owns a 50% equity interest in The Altman Companies, LLC (the “Altman Companies”), a developer and manager of multifamily apartment communities, and manages the legacy assets acquired in connection with the Company’s sale of BankAtlantic in 2012, including portfolios of loans receivable and real estate properties.

#### *BBX Sweet Holdings*

BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including IT’SUGAR, Hoffman’s Chocolates, and Las Olas Confections and Snacks. IT’SUGAR is a specialty candy retailer which operates approximately 100 retail locations, which include a mix of high-traffic resort and entertainment, lifestyle, mall/outlet, and urban locations in over 25 states and Washington D.C., and its products include bulk candy, candy in giant packaging, and novelty items.

Hoffman's Chocolates is a retailer of gourmet chocolates with retail locations in South Florida, and Las Olas Confections and Snacks is a manufacturer and wholesaler of chocolate and other confectionery products.

#### *Renin*

Renin is engaged in the design, manufacture, and distribution of sliding doors, door 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. In addition to its own manufacturing, Renin also sources various products and raw materials from China. During the year ended December 31, 2019, Renin's total revenues included \$36.0 million of trade sales to two major customers and their affiliates and \$18.4 million of revenues generated outside the United States. Renin's properties and equipment located outside the United States had a carrying amount of \$1.6 million as of December 31, 2019.

#### *Other*

In addition to its principal investments, the Company has investments in other operating businesses, including a restaurant located in South Florida that was acquired through a loan foreclosure and an insurance agency, and previously operated pizza restaurant locations as a franchisee of MOD Super Fast Pizza ("MOD Pizza"), as described below.

In 2016, Food for Thought Restaurant Group ("FFTRG"), a wholly-owned subsidiary of BBX Capital, entered into area development and franchise agreements with MOD Pizza related to the development of up to approximately 60 MOD Pizza franchised restaurant locations throughout Florida. Through 2019, FFTRG had opened nine restaurant locations. As a result of FFTRG's overall operating performance and the Company's goal of streamlining its investment verticals, the Company entered into an agreement with MOD Pizza to terminate the area development and franchise agreements and transferred seven of its restaurant locations, including the related assets, operations, and lease obligations, to MOD Pizza during the third quarter of 2019. In addition, the Company closed the remaining two locations and terminated the related lease agreements. In connection with the transfer of the seven restaurant locations to MOD Pizza, the Company recognized an aggregate impairment loss of \$4.0 million related to the disposal group, which included property and equipment, intangible assets, and net lease liabilities. In addition, prior to the transaction, the Company previously recognized \$2.7 million of impairment losses associated with property and equipment at three restaurant locations. Accordingly, the Company recognized \$6.7 million of impairment losses associated with its investment in MOD Pizza restaurant locations during the year ended December 31, 2019.

## **2. Basis of Presentation and Significant Accounting Policies**

**Consolidation Policy** - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of BBX Capital's wholly-owned subsidiaries, other entities in which BBX Capital or its subsidiaries hold controlling financial interests, and any VIEs in which BBX Capital or one of its consolidated subsidiaries is deemed the primary beneficiary of the VIE. All significant inter-company accounts and transactions have been eliminated in consolidation.

**Use of Estimates** - The preparation of GAAP financial statements 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; the allowance for loan losses; the recovery of the carrying value of VOI inventories and real estate; the measurement of assets and liabilities at fair value, including amounts recognized in business combinations and items measured at fair value on a non-recurring basis, such as intangible assets, goodwill, and real estate; the amount of the deferred tax valuation allowance and 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 other various 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 2019. The reclassification had no impact on the Company's statements of operations and comprehensive income or statements of cash flows.

**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. Cash in excess of the Company's immediate operating requirements are generally invested in short-term time deposits and money market instruments that typically have 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. Cash and cash equivalents

are maintained at various financial institutions located throughout the United States, as well as in Canada and Aruba, in amounts exceeding the \$250,000 federally insured limit. Accordingly, the Company is subject to credit risk. Management performs periodic evaluations of the relative credit standing of financial institutions maintaining the Company's deposits to evaluate and, if necessary, take actions in an attempt to mitigate credit risk.

### **Revenue Recognition**

*Sales of VOIs* – Revenue is recognized for sales of VOIs after control of the VOI is deemed transferred to the customer, which is when the legal rescission period has expired on a binding executed VOI sales agreement and the collectability of the note receivable from the buyer, if any, is reasonably assured. Transfer of control of the VOI to the buyer is deemed to occur when the legal rescission period expires as the risk and rewards associated with VOI ownership are transferred to the buyer at that time. The Company records Bluegreen's customer deposits from contracts within the legal rescission period in restricted cash and escrow deposits in the Company's consolidated statements of financial condition, as such amounts are refundable until the legal rescission period has expired. In cases where construction and development of Bluegreen's developed resorts has not been substantially completed, Bluegreen defers all of the revenues and associated expenses for the sales of VOIs until construction is substantially complete and the resort may be occupied.

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, is fully amortizing in equal installments, and may be prepaid without penalty. For sales of VOIs for which Bluegreen provides financing, Bluegreen reduces the transaction price for expected loan losses, which it considers to be variable consideration. To the extent Bluegreen determines that it is probable that a significant reversal of cumulative revenue recognized may occur, it records an estimate of variable consideration as a reduction to the transaction price of the sales of VOIs until the uncertainty associated with the variable consideration is resolved. Bluegreen's estimates of variable consideration are based on the results of its static pool analysis, which relies on historical payment data for similar VOI notes receivable and tracks uncollectibles for each period's sales over the entire life of the notes. Bluegreen also considers whether historical economic conditions are comparable to then current economic conditions, as well as variations in underwriting standards. Bluegreen reviews its estimate of variable consideration on at least a quarterly basis. VOI sales for which no financing is provided do not have any significant payment terms.

*Fee-based sales commissions* – Bluegreen enters into fee-based sales arrangements with third-party developers to sell VOIs through its sales and marketing platforms for which Bluegreen earns a commission. Commission revenue is recognized to the extent that it is probable that a significant reversal of such revenue will not occur and the related consumer rescission period has expired. Commission revenue is recognized over time as the third-party developer receives and consumes the benefits of the services.

*Other fee-based services and cost reimbursements* - Revenue associated with Bluegreen's other fee-based services is recognized as follows:

- Resort and club management revenue is recognized as services are rendered. These services provided to the resort HOAs are comprised of day-to-day services to operate the resort, including management services and certain accounting and administrative functions. Management services provided to the Vacation Club include managing the reservation system and providing owner, billing, and collection services. Bluegreen's management contracts are typically structured as cost-plus, with an initial term of three years and automatic one year renewals. Bluegreen believes these services to be a series of distinct goods and services to be accounted for as a single performance obligation over time and recognizes revenue as the customer receives the benefits of its services. Bluegreen allocates variable consideration to the distinct good or service within the series, such that revenue from management fees and cost reimbursements is recognized in each period as the uncertainty with respect to such variable consideration is resolved.
- Cost reimbursements are received for performing day to day management services based on agreements with the HOAs. These costs primarily consist of payroll and payroll related costs for the management of the HOAs and other services provided where Bluegreen is the employer. Cost reimbursements are based upon actual expenses and are billed to the HOA on a monthly basis. Bluegreen recognizes cost reimbursement when they incur the related reimbursable costs as the HOA receives and consumes the benefits of the management services.
- Resort title fee revenue is recognized when escrow amounts are released and title documents are completed.
- Rental revenues are recognized on a daily basis, which is consistent with the period for which the customer benefits from such service. Revenue from the sampler program is typically recognized when guests complete stays at the resorts, which typically occurs within a year from sale.
- Mortgage servicing revenue is recognized as services are rendered.

Fees received in advance are generally included in deferred income in the Company's consolidated statements of financial condition until the related service is rendered and revenue is recognized as stated above.

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, and as noted above, revenue from the sampler program is deferred and typically recognized within a year from sale as guests complete stays at the resorts. During

each of the years presented, Bluegreen's aggregate rental revenue and sampler revenue was less than the aggregate carrying cost of its VOI inventory. Accordingly, Bluegreen recorded such revenue as a reduction to the carrying cost of VOI inventory, which is included in cost of other fee-based services in the Company's consolidated statements of operations and comprehensive income for each year.

*Trade sales* – Revenue is recognized on trade sales as follows:

- Revenue is recognized on wholesale trade sales when control of the products is transferred to customers, which generally occurs when the products are shipped or the customers accept delivery. Wholesale trade sales typically have payment terms between 10 and 90 days. Certain customer trade sale contracts have provisions for right of return, volume rebates, and price concessions. These types of discounts are accounted for as variable consideration, and the Company uses the expected value method to calculate the estimated reduction in the trade sales revenue. The inputs used in the expected value method include historical experience with the customer, sales forecasts, and outstanding purchase orders.
- Revenue is recognized on retail trade sales at the point of sale, which occurs when products are sold at the Company's retail locations.
- Sales and other taxes imposed by governmental authorities that are collected by the Company from customers are excluded from revenue or the transaction price.
- Shipping and handling activities that occur after the control of goods is transferred to a customer are accounted for as fulfillment activities instead of a separate performance obligation.
- Revenue is not adjusted for the effects of a significant financing component if the Company expects, at the contract inception, that the performance obligation will be satisfied within one year or less.

*Sales of real estate inventory* - Revenue is generally recognized on sales of real estate inventory to customers when the sales are closed and title passes to the buyer. The Company generally receives payment from the sale of real estate inventory at the date of closing. In addition, certain real estate sales contracts provide for a contingent purchase price. The contingent purchase price in contracts pursuant to which the Company sells developed lots to homebuilders is generally calculated as a percentage of the proceeds that the homebuilders receive from sales to their own customers, and the Company does not receive payment of such amounts until the homebuilders close on such sales. The Company accounts for the contingent purchase price in these contracts as variable consideration and estimates the amount of such consideration that may be recognized upon the closing of the real estate transaction based on the expected value method. The estimate of variable consideration is recognized as revenue to the extent that it is not probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The inputs used in the expected value method include current sales prices (net of incentives), historical contingent purchase price receipts, and sales contracts on similar properties.

*Interest income* - Bluegreen provides financing for a significant portion of sales of its owned VOIs. Bluegreen recognizes interest income from financing VOI sales on the accrual method as earned based on the outstanding principal balance, interest rate, and terms stated in each individual financing agreement.

Interest income from other loans receivable originated by the Company is 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. Loans receivable are included in other assets in the Company's consolidated statements of financial condition.

*Net gains on sales of real estate assets* – Net gains on sales of real estate assets represents sales of assets to non-customers. Gains (or losses) are recognized from sales to non-customers when the control of the asset has been transferred to the buyer, which generally occurs when title passes to the buyer.

*Other revenue* – Other revenue is primarily comprised of rental income from properties under short-term operating leases. Rental income is recognized as rents become due, and rental payments received in advance are deferred until earned.

*Notes Receivable* - Bluegreen's notes receivable are carried at amortized cost less an allowance for loan losses, and its loan origination costs are deferred and recognized over the life of the related notes receivable. Interest income is suspended, and previously accrued but unpaid interest income is reversed, on all delinquent notes receivable when principal or interest payments are more than 90 days contractually past due and is not resumed until such notes receivable are less than 90 days past due. As of December 31, 2019 and December 31, 2018, \$25.5 million and \$20.4 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 approximately 127 days, Bluegreen's VOI notes receivable are generally written off against the allowance for loan loss.

*VOI Inventory* - Bluegreen's VOI inventory is primarily comprised of completed VOIs, VOIs under construction, and land held for future VOI development. Completed VOI inventory is carried at the lower of (i) cost, including costs of improvements and amenities incurred subsequent to acquisition, capitalized interest and 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, cost of sales is calculated as a percentage of net sales using a cost-of-sales percentage that is the ratio of total estimated development costs to total estimated VOI revenue, including the estimated incremental revenue from the resale of repossessed VOI inventory that is generally obtained as a result of the default of the related receivable. In addition, pursuant to timeshare accounting rules, Bluegreen does not relieve inventory for VOI cost of sales related to anticipated loan losses. Accordingly, no adjustment is made when inventory is reacquired upon default of the related receivable.

**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 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 cost of goods sold.

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 acquires real estate or takes possession or ownership of real estate through the foreclosure of collateral on loans receivable. Such real estate is 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 and subsequently measured at the lower of cost or estimated fair value less selling costs. When real estate is classified as held-for-investment, it is initially recorded at fair value and, if applicable, is depreciated in subsequent periods over its useful life using the straight-line method. Real estate is classified as real estate inventory when the property is under development for sale to customers and is measured at cost, including costs of improvements and amenities incurred subsequent to acquisition, capitalized interest and real estate taxes, and other costs incurred during the construction period. Expenditures for capital improvements are generally capitalized, while the ongoing costs of owning and operating real estate are charged to selling, general and administrative expenses as incurred. Impairments required on loans receivable at the time of foreclosure of real estate collateral are charged to the allowance for loan losses, while impairments of real estate required under ASC 360 to reflect subsequent declines in fair value are recorded as impairment losses in the Company's consolidated statements of operations and comprehensive income.

**Investments in Unconsolidated Real Estate Joint Ventures** - The Company uses the equity method of accounting to record its equity investments in entities in which it has significant influence but does not hold a controlling financial interest, including equity investments in VIEs in which the Company is not the primary beneficiary. Under the equity method, an investment is reflected 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 reflected in the statement of operations as a single amount. The investment is initially measured at cost and subsequently adjusted for the investor's share of the earnings or losses of the investee and distributions received from the investee. The investor recognizes its share of the earnings or losses of the investee in the periods in which they are reported by the investee in its financial statements rather than in the period in which an investee declares a distribution. Intra-entity profits and losses on assets still remaining with an investor or investee are eliminated.

The Company recognizes its share of earnings or losses from 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 the Company's share of earnings or losses from equity method investments when the contractual cash disbursements are different than the investors' equity interest.

The Company capitalizes interest expense on investments in and advances or loans to real estate joint ventures accounted for under the equity method that have commenced qualifying activities, such as real estate development projects. The capitalization of interest expense ceases when the investee completes its qualifying activities, and total capitalized interest expense cannot exceed interest expense incurred.

The Company reviews its 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 its investments, general market conditions, the duration and extent to which the fair value of an investment is less than cost, and the Company's intent and ability to hold an investment until it recovers. The Company also considers specific adverse conditions related to the financial health and business outlook of the investee, including industry and market performance, rating agency actions, and expected future operating and financing cash flows. If a decline in the fair value of an investment is determined to be other-than-temporary, an impairment loss 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 calculated 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, fixtures, and equipment, from 3 to 5 years for transportation and equipment, and from 3 to 14 years for leasehold improvements. The cost of leasehold improvements is depreciated using the straight-line method over the shorter of the terms of the related leases or the estimated useful lives of the improvements.

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 developed for internal use is capitalized in accordance with the accounting guidance for costs of computer software developed or obtained for internal use. The capitalization of costs of software developed for internal use commences during the development phase of the project and ends when the software is ready for its intended use. The costs of software developed or obtained for internal use are generally amortized on a straight-line basis over 3 to 5 years. The Company capitalized costs of software for internal use of \$10.1 million and \$10.2 million for the years ended December 31, 2019 and 2018, respectively.

#### **Goodwill and Intangible Assets**

**Goodwill** – The Company recognizes goodwill upon the acquisition of a business when the fair value 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 fair value of a reporting unit is less than its carrying amount, including goodwill. The Company evaluates various factors affecting a reporting unit in its qualitative assessment, including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors, and financial performance.

If the Company concludes from its qualitative assessment that goodwill impairment testing is required, the fair value of the reporting unit is compared to its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the Company records an impairment loss for the excess amount, although the impairment loss is limited to the amount of goodwill allocated to the reporting unit.

**Intangible assets** – Intangible assets consist primarily of indefinite-lived management contracts recognized upon the consolidation of Bluegreen in November 2009. The remaining balance in intangible assets includes various amortizable intangible assets that are amortized on a straight-line basis of their respective estimated useful lives, including trade names and non-competition agreements acquired in connection with business combinations that were initially recorded at fair value at the applicable acquisition date. Prior to the adoption of the new lease accounting standard on January 1, 2019, intangible assets also included off-market lease agreements acquired in connection with business combinations that were initially recorded at fair value.

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 amount. If it is more likely than not that the fair value of the indefinite-lived intangible asset is greater than its carrying amount, the indefinite-lived intangible asset is not impaired. If the Company concludes that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company estimates the fair value of the indefinite-lived intangible asset and compares the estimated fair value to the carrying amount. If the fair value of the indefinite-lived intangible asset is less than the carrying value, an impairment loss 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. To the extent that the carrying amount of an intangible asset exceeds the sum of such undiscounted cash flows, an impairment loss is measured and recorded based on the amount by which the carrying amount of the intangible asset exceeds its fair value.

**Operating Lease Assets and Operating Lease Liabilities** – The Company recognizes right-of-use assets and lease liabilities associated with lease agreements with an initial term of greater than 12 months, while lease agreements with an initial term of 12 months or less are not recorded in the Company's consolidated statements of financial condition. The Company determines if an arrangement is a lease at inception. The operating lease assets represent the Company's right to use an underlying asset for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments. Operating lease assets and liabilities are recognized when the Company takes possession of the underlying asset based on the present value of lease payments over the lease term. The Company generally does not include lease payments associated with renewal options that are exercisable at its discretion in the measurement of its operating lease assets and operating lease liabilities as it is not reasonably certain that such options will be exercised. The Company

generally recognizes lease costs associated with its operating leases on a straight-line basis over the lease term, while variable lease payments that do not depend on an index or rate are recognized as variable lease costs in the period in which the obligation for those payments is incurred. The Company recognizes accrued straight-line rent and unamortized tenant allowances received from landlords associated with its operating leases as a reduction of the operated lease assets associated with such leases. The Company has lease agreements with lease and non-lease components which it generally accounts for as a single lease component for lease classification, recognition and measurement purposes.

**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 various factors, including historical losses, current market conditions, the customers' financial condition, the amount of receivables in dispute, and the aging and payment patterns related to the receivables. 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 and had an outstanding balance of \$13.1 million and \$18.3 million as of December 31, 2019 and 2018, respectively.

**Deferred Financing Costs** – 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 statements of financial condition as other assets or as a direct deduction from the carrying amount of the associated debt liability. These costs are capitalized and amortized to interest expense over the terms of the related financing arrangements. As of December 31, 2019 and 2018, unamortized deferred financing costs presented in other assets totaled \$6.0 million and \$5.6 million, respectively, while unamortized costs presented against the associated debt liabilities totaled \$8.5 million and \$9.1 million, respectively. Interest expense from the amortization of deferred financing costs for the years ended December 31, 2019, 2018 and 2017 was \$4.5 million, \$3.5 million, and \$3.1 million, respectively.

**Advertising** – The Company expenses advertising costs, which are primarily marketing costs, as incurred. Advertising expenses totaled \$146.0 million, \$138.9 million and \$148.6 million for the years ended December 31, 2019, 2018 and 2017, 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, 2019, 2018, and 2017, sales of VOIs to prospects and leads generated by Bluegreen's marketing arrangement with Bass Pro accounted for approximately 13%, 14%, and 15%, 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 this agreement on similar terms, or at all, nor is there any assurance that Bluegreen's business relationship with Bass Pro under the revised terms of its marketing agreement entered into in June 2019 will be as profitable as under the prior terms, or at all. See Note 16 for a description of the revised terms of Bluegreen's marketing agreement with Bass Pro.

**Income Taxes** – The Company and its subsidiaries in which it owns 80% or more of the voting power and value of the subsidiary's stock file a consolidated U.S. Federal and Florida income tax return. Other than Florida, the Company and its subsidiaries file separate or unitary 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.

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 recognized 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 are less than 100% owned by the Company. Noncontrolling interests are recognized as equity in the consolidated statement of financial condition and presented separately from the equity attributable to BBX Capital's shareholders, while noncontrolling interests that are redeemable for cash at the holder's option or upon a contingent event outside of the Company's control are classified as redeemable noncontrolling interests and presented in the mezzanine section between total liabilities and equity

in the consolidated statement of financial condition. The Company measures redeemable noncontrolling interests on an ongoing basis by accreting changes in the estimated redemption value of such interests from the date of issuance to the earliest redemption date and adjusts the carrying amount of such interests to the calculated value in the event that it is in excess of the carrying amount of such interests at such time.

A change in the ownership interests of 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 noncontrolling interests are separately 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 BBX Capital's 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 BBX Capital's common shares were exercised or if restricted stock awards issued by BBX Capital were vested. 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.

**Stock-Based Compensation** – Compensation cost for unvested restricted stock awards is based on the fair value of the award on the measurement date, which is generally the grant date, and is recognized on a straight-line basis over the requisite service period of the award, which is generally four years for unvested restricted stock awards. The fair value of unvested restricted stock awards is generally determined based on 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 January 1, 2019:

**ASU No. 2016-02 – Leases (Topic 842)**. This standard, as subsequently amended and clarified by various ASUs, requires lessees to recognize assets and liabilities for the rights and obligations created by leases of assets. For income statement purposes, the standard retains a dual model which requires leases to be classified as either operating or finance based on criteria that are largely similar to those applied under prior lease accounting but without explicit bright lines. The standard also requires extensive quantitative and qualitative disclosures, including significant judgments and assumptions made by management in applying the standard, intended to provide greater insight into the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the standard on January 1, 2019 and applied the transition guidance as of the date of adoption under the current-period adjustment method. As a result, the Company recognized right-of-use assets and lease liabilities associated with its leases on January 1, 2019, with a cumulative-effect adjustment to the opening balance of accumulated earnings, while the comparable prior periods in the Company's financial statements have been and will continue to be reported in accordance with Topic 840, including the disclosures of Topic 840.

The standard includes a number of optional practical expedients under the transition guidance. The Company elected the package of practical expedients which allowed the Company to not reassess prior conclusions about lease identification, lease classification, and initial direct costs. The Company also made accounting policy elections by class of underlying asset to not apply the recognition requirements of the standard to leases with terms of 12 months or less and to not separate non-lease components from lease components. Consequently, each separate lease component and the non-lease components associated with that lease component is accounted for as a single lease component for lease classification, recognition, and measurement purposes.

Upon adoption of the standard on January 1, 2019, the Company recognized a lease liability of \$123.2 million and a right-of-use asset of \$113.2 million. The difference between the lease liability and right-of-use asset primarily reflects the reclassification of accrued straight-line rent and unamortized tenant allowances from other liabilities in the Company's statement of financial condition to a reduction of the right-of-use asset. In addition, the Company recognized an impairment loss of \$3.4 million in connection with the recognition of right-of-use assets for certain IT'SUGAR retail locations as a cumulative-effect adjustment to the opening balance of accumulated earnings. The implementation of the standard did not have a material impact on the Company's statement of operations and comprehensive income or statement of cash flows. See Note 12 for additional information regarding the Company's lease agreements.

### 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, 2019:

*ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (as subsequently amended and clarified by various ASUs).* This standard introduces an approach of estimating credit losses on certain types of financial instruments based on expected losses and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating its allowance for credit losses. The standard also requires entities to record an allowance for credit losses for available for sale debt securities rather than reduce the carrying amount under the other-than temporary impairment model. 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 was effective for the Company on January 1, 2020. Although the Company is finalizing its assessment, the Company believes that the adoption of the standard will not have a material impact on its consolidated financial statements.

*ASU 2018-15, Intangibles (Topic 350-40): Goodwill and Other – Internal-Use Software.* This standard requires a customer in a cloud computing arrangement that is a service contract ("CCA") to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The standard also requires entities to present implementation costs related to a CCA in the same financial statement line items as the CCA service fees. The Company adopted this standard on January 1, 2020 and is applying the transition guidance as of the date of adoption prospectively, under the current period adjustment method. The Company expects that capitalized implementation costs related to a CCA that were in the implementation phase as of January 1, 2020 ranging from \$1.5 million to \$2.5 million will be reclassified from property and equipment to prepaid expenses in connection with the adoption of the standard. The Company believes that the adoption of the standard will not have a material impact on its consolidated financial statements.

*ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* This standard removes specific exceptions to the general principles in Topic 740 including exceptions related to (i) the incremental approach for intraperiod tax allocations, (ii) accounting for basis differences when there are ownership changes in foreign investments, and (iii) interim period income tax accounting for year-to-date losses that exceed anticipated losses. The statement is effective for the Company on January 1, 2021 and interim periods within that fiscal year. Early adoption is permitted. The Company is currently evaluating the impact that ASU 2019-12 may have on its consolidated financial statements.

*ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* This standard modifies the disclosure requirements in Topic 820 related to the valuation techniques and inputs used in fair value measurements, uncertainty in measurement, and changes in measurements applied. This standard was effective for the Company on January 1, 2020, and the adoption of the standard is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

### 3. Acquisitions

#### Acquisition of IT'SUGAR

On June 16, 2017, BBX Sweet Holdings acquired IT'SUGAR, a specialty candy retailer with approximately 100 retail locations in over 25 states and Washington, D.C., 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 is 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 income before income taxes from the acquisition date to December 31, 2017 (in thousands):

|                            | <b>June 16, 2017<br/>to December 31, 2017</b> |        |
|----------------------------|---|--------|
| Trade sales                | \$  | 46,765 |
| Income before income taxes | \$  | 2,598  |

### Purchase Price Allocation

The Company accounted for the acquisition of IT'SUGAR using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed associated with an acquiree 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>                                      |    | 4,512   |
| Total assets acquired  |    | 35,471  |
| Accounts payable and other liabilities   |    | (5,370) |
| Identifiable intangible liabilities <sup>(2)</sup>                                 |    | (716)   |
| Total liabilities assumed  |    | (6,086) |
| Fair value of identifiable net assets  |    | 29,385  |
| Redeemable noncontrolling interest   |    | (2,490) |
| Goodwill   |    | 35,164  |
| Purchase consideration   |    | 62,059  |
| Less: cash acquired  |    | (3,641) |
| Cash paid for acquisition less cash acquired                                       | \$ | 58,418  |
| Acquisition-related costs included in selling, general and administrative expenses | \$ | 2,963   |

(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 were 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 locations. 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 values 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 being amortized over 15 years, and the \$0.2 million of favorable lease agreements and the \$0.7 million of unfavorable lease agreements were being amortized over a weighted average period of 6.5 years. Upon the Company's adoption of the new lease accounting standard on January 1, 2019, the unamortized balances of the intangibles related to IT'SUGAR's lease agreements were reclassified and included in the measurement of the right-of-use assets associated with the applicable lease agreements. The noncompetition agreement is being 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 consideration paid by BBX Sweet Holdings 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 year ended December 31, 2017 as if the acquisition was completed on January 1, 2016 (in thousands):

|  | <b>Pro Forma<br/>For the Year Ended<br/>December 31, 2017</b> |
|--|---|
| Trade sales  | \$ 178,643  |
| Income before income taxes                             | \$ 93,273   |
| Net income <sup>(1)</sup>                              | \$ 102,703  |
| Net income attributable to shareholders <sup>(1)</sup> | \$ 84,356   |

- (1) The pro forma income before income taxes, 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 Class B Common Units of IT'SUGAR upon the occurrence of certain events, including events relating to the employment agreement between the Company 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 the noncontrolling interests are not currently subject to redemption but are probable of becoming redeemable in a future period, the Company is measuring the noncontrolling interests by accreting changes in the estimated purchase price from the acquisition date to the earliest redemption date and adjusts the carrying amount of such interests to equal the calculated value in the event it is in excess of the carrying amount of such interests at such time.

## Employment and Loan Agreements

In connection with the acquisition of IT'SUGAR, the Company 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 the Company 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 will be forgiven on an annual basis provided that IT'SUGAR's CEO continues to remain employed with the Company 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.

#### 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 (which 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, 2019, Bluegreen was in compliance with all applicable terms under its securitization transactions, and no trigger events had occurred.

In accordance with the 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 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 the applicable accounting guidance, Bluegreen has determined these securitization entities to be VIEs of which Bluegreen is primary beneficiary and, therefore, Bluegreen consolidates the entities in its consolidated financial statements.

Under the terms of certain VOI notes receivable sales, Bluegreen has the right to repurchase or substitute a limited amount of defaulted notes for new notes receivable at the outstanding principal balance plus accrued interest. Bluegreen's voluntary repurchases and substitutions of defaulted notes receivable during 2019, 2018 and 2017 were \$11.5 million, \$13.7 million, and \$9.5 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.

The table below sets forth information regarding the assets and liabilities of Bluegreen's consolidated VIEs included in the Company's consolidated statements of financial condition (in thousands):

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2019</b>         | <b>2018</b> |
| Restricted cash                                | \$ 22,534           | 28,400      |
| Securitized notes receivable, net              | 292,590             | 341,975     |
| Receivable backed notes payable - non-recourse | 334,246             | 382,257     |

The restricted cash and the securitized notes receivable balances disclosed in the table above are restricted to satisfy obligations of the VIEs.



## 5. Notes Receivable

The table below sets forth information regarding Bluegreen's notes receivable and related allowance for loan losses (dollars in thousands):

|  | December 31,      |                |
|--|-------------------|----------------|
|  | 2019              | 2018           |
| <b>Notes receivable:</b>                             |                   |                |
| VOI notes receivable - non-securitized               | \$ 203,872        | 124,642        |
| VOI notes receivable - securitized                   | 385,326           | 447,850        |
| Notes receivable secured by homesites <sup>(1)</sup> | 659               | 898            |
| <b>Gross notes receivable</b>                        | <b>589,857</b>    | <b>573,390</b> |
| Allowance for loan losses - non-securitized          | (47,894)          | (28,258)       |
| Allowance for loan losses - securitized              | (92,736)          | (105,875)      |
| Allowance for loan losses - homesites <sup>(1)</sup> | (65)              | (90)           |
| <b>Notes receivable, net</b>                         | <b>\$ 449,162</b> | <b>439,167</b> |
| <b>Allowance as a % of gross notes receivable</b>    | <b>24%</b>        | <b>23%</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 14.9% and 15.1% at December 31, 2019 and 2018, respectively. Bluegreen's VOI notes receivable bear interest at fixed rates and are generally secured by property located in Florida, Missouri, Nevada, South Carolina, Tennessee, and Wisconsin.

The table below sets forth future principal payments due on Bluegreen's notes receivable during each of the five years subsequent to December 31, 2019 and thereafter (in thousands):

|                               | December 31, 2019 |
|-------------------------------|-------------------|
| 2020                          | \$ 62,808         |
| 2021                          | 62,320            |
| 2022                          | 67,086            |
| 2023                          | 70,589            |
| 2024                          | 72,559            |
| Thereafter                    | 254,495           |
| <b>Gross notes receivable</b> | <b>\$ 589,857</b> |

### *Credit Quality of Notes Receivable and the Allowance for Loan Losses*

Bluegreen monitors the credit quality of its receivables on an ongoing basis. Bluegreen holds large amounts of homogeneous VOI notes receivable and assesses uncollectibility based on pools of receivables as Bluegreen does not believe that there are significant concentrations of credit risk with any individual counterparty or groups of counterparties. In estimating loan losses, Bluegreen 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 loan losses (including notes receivable secured by homesites) was as follows (in thousands):

|   | For the Years Ended December 31, |                |                |
|---|----------------------------------|----------------|----------------|
|   | 2019                             | 2018           | 2017           |
| <b>Balance, beginning of period</b>     | \$ 134,223                       | 123,791        | 120,270        |
| Provision for loan losses               | 55,677                           | 51,236         | 46,412         |
| Write-offs of uncollectible receivables | (49,205)                         | (40,804)       | (42,891)       |
| <b>Balance, end of period</b>           | <b>\$ 140,695</b>                | <b>134,223</b> | <b>123,791</b> |

The table below sets forth information regarding the percentage of gross VOI notes receivable outstanding by FICO score at origination:

| <i>FICO Score</i>       | December 31,    |                 |
|-------------------------|-----------------|-----------------|
|                         | 2019            | 2018            |
| 700+                    | 59.00 %         | 57.00 %         |
| 600-699                 | 37.00           | 39.00           |
| <600                    | 3.00            | 3.00            |
| No score <sup>(1)</sup> | 1.00            | 1.00            |
| <b>Total</b>            | <b>100.00 %</b> | <b>100.00 %</b> |

(1) VOI notes receivables without a FICO score are primarily related to foreign borrowers.

The table below sets forth information regarding the delinquency status of Bluegreen's VOI notes receivable (in thousands):

|                          | December 31,      |                |
|--------------------------|-------------------|----------------|
|                          | 2019              | 2018           |
| Current                  | \$ 557,849        | 541,783        |
| 31-60 days               | 6,794             | 5,783          |
| 61-90 days               | 5,288             | 4,516          |
| > 91 days <sup>(1)</sup> | 19,267            | 20,410         |
| <b>Total</b>             | <b>\$ 589,198</b> | <b>572,492</b> |

(1) Includes \$10.6 million and \$14.3 million of VOI notes receivable as of December 31, 2019 and 2018, respectively, 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 loan losses.

## 6. Trade Inventory

The Company's trade inventory consisted of the following (in thousands):

|                                     | December 31,     |               |
|-------------------------------------|------------------|---------------|
|                                     | 2019             | 2018          |
| Raw materials                       | \$ 3,048         | 2,718         |
| Paper goods and packaging materials | 1,327            | 1,122         |
| Finished goods                      | 18,468           | 16,270        |
| <b>Total trade inventory</b>        | <b>\$ 22,843</b> | <b>20,110</b> |

## 7. VOI Inventory

Bluegreen's VOI inventory consisted of the following (in thousands):

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2019              | 2018              |
| Completed VOI units                         | \$ 269,847        | \$ 237,010        |
| Construction-in-progress                    | 3,946             | 26,587            |
| Real estate held for future VOI development | 73,144            | 70,552            |
| <b>Total VOI inventory</b>                  | <b>\$ 346,937</b> | <b>\$ 334,149</b> |

Bluegreen increased the average selling price of its VOIs by 3% in December 2018 and 4% in June 2017. 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 the years ended December 31, 2018 and 2017, Bluegreen recognized a benefit to cost of VOIs sold of \$3.6 million and \$5.1 million, respectively, in connection with these pricing changes. No such pricing change occurred in 2019.

## 8. Real Estate

The Company's real estate consisted of the following (in thousands):

|                                 | December 31,     |               |
|---------------------------------|------------------|---------------|
|                                 | 2019             | 2018          |
| Real estate held-for-sale       | \$ 11,297        | 20,202        |
| Real estate held-for-investment | 6,015            | 10,976        |
| Real estate inventory           | 48,506           | 23,778        |
| <b>Total real estate</b>        | <b>\$ 65,818</b> | <b>54,956</b> |

During the year ended December 31, 2019, the Company sold various real estate assets that were classified as held-for-sale or held-for-investment including its remaining land parcels located at PGA Station in Palm Beach Gardens, Florida and various land parcels located in Florida, as well as RoboVault, a self-storage facility in Fort Lauderdale, Florida that was previously classified in property and equipment. As a result of these sales, the Company recognized total net gains on sales of real estate of \$13.6 million and received aggregate net proceeds of \$35.2 million during the year ended December 31, 2019.

## 9. Investments in Unconsolidated Real Estate Joint Ventures

As of December 31, 2019, the Company had equity interests in unconsolidated real estate joint ventures involved in the development of multifamily apartment and townhome communities, as well as single-family master planned communities. In addition, the Company owns a 50% equity interest in the Altman Companies, a developer and manager of multifamily apartment communities.

Investments in unconsolidated real estate joint ventures are accounted for as unconsolidated VIEs. See Note 4 for information regarding the Company's investments in consolidated VIEs.

Investments in unconsolidated real estate joint ventures consisted of the following (in thousands):

|   | December 31,     |                          |                  |
|---|------------------|--------------------------|------------------|
|   | 2019             | Ownership <sup>(1)</sup> | 2018             |
| Altis at Lakeline - Austin Investors, LLC           | \$ 242           | %                        | 34.47            |
| Altis at Grand Central Capital, LLC                 | 2,653            |                          | 11.07            |
| Altis Promenade Capital, LLC                        | 2,126            |                          | 6.61             |
| Altis at Bonterra - Hialeah, LLC                    | 618              |                          | 96.73            |
| Altis Ludlam - Miami Investor, LLC                  | 1,081            |                          | 33.30            |
| Altis Suncoast Manager, LLC                         | 753              |                          | 33.30            |
| Altis Pembroke Gardens, LLC                         | 1,277            |                          | 0.41             |
| Altis Fairways, LLC                                 | 1,880            |                          | 0.42             |
| Altis Wiregrass, LLC                                | 1,792            |                          | 2.22             |
| Altis LH-Miami Manager, LLC                         | 811              |                          | 3.43             |
| Altis Vineland Pointe Manager, LLC                  | 4,712            |                          | 50.00            |
| Altis Miramar East/West                             | 2,631            |                          | 5.00             |
| The Altman Companies, LLC <sup>(2)</sup>            | 14,745           |                          | 50.00            |
| ABBX Guaranty, LLC                                  | 3,750            |                          | 50.00            |
| Sunrise and Bayview Partners, LLC                   | 1,562            |                          | 50.00            |
| PGA Design Center Holdings, LLC                     | 996              |                          | 40.00            |
| CCB Miramar, LLC                                    | 5,999            |                          | 70.00            |
| BBX/Label Chapel Trail Development, LLC             | 1,126            |                          | 46.75            |
| L03/212 Partners, LLC                               | 2,087            |                          | 3.41             |
| PGA Lender, LLC                                     | 2,111            |                          | 45.88            |
| Sky Cove, LLC                                       | 4,178            |                          | 26.25            |
| All other investments in real estate joint ventures | 200              |                          | 659              |
| <b>Total</b>  | <b>\$ 57,330</b> |                          | <b>\$ 64,738</b> |

- (1) The Company's ownership percentage in each real estate joint venture represents the Company's percentage of the contributed capital in each venture. The operating agreements for many of these ventures provide for a disproportionate allocation of distributions to the extent that certain investors receive specified returns on their investments, and as a result, these percentages do not necessarily reflect the Company's economic interest in the expected distributions from such ventures.

- (2) The investment in The Altman Companies, LLC includes \$2.3 million of transaction costs that were incurred in connection with the formation of the joint venture. See additional information below in this Note 9 regarding the Company's acquisition of its interest in the Altman Companies, LLC.

### ***Unconsolidated Variable Interest Entities***

In accordance with the applicable accounting guidance for the consolidation of VIEs, the Company analyzes its investments in real estate joint ventures to determine if such entities are VIEs, and to the extent that such entities are VIEs, if the Company is the primary beneficiary. Based on the Company's analysis of the forecasted cash flows and structure of these ventures, including the respective operating agreements governing these entities and any relevant financial agreements, such as financing arrangements, the Company has determined that its real estate joint ventures are VIEs in which the Company is not the primary beneficiary, and therefore, the Company accounts for its investments in the real estate joint ventures under the equity method of accounting. The Company's conclusion that it is not the primary beneficiary of these entities is primarily based on the determination that the Company does not have the power to direct activities of the entities that most significantly affect their economic performance. In many of the joint ventures, the Company is not the operating manager and has limited protective rights under the operating agreements, while in certain joint ventures, the investors share decision-making authority in a manner that prevents any individual investor from exercising power over such entities.

The Company's maximum exposure to loss in its unconsolidated real estate joint ventures was \$59.8 million as of December 31, 2019.

### ***Basis Differences***

The aggregate difference between the Company's investments in unconsolidated real estate joint ventures and its underlying equity in the net assets of such ventures was \$9.2 million and \$11.9 million as of December 31, 2019 and 2018, respectively, which includes \$8.5 million and \$10.3 million associated with the Company's investment in the Altman Companies and certain multifamily apartment developments which were acquired for cash consideration based on their estimated fair values as of the acquisition date, as described below, and \$0.7 million and \$1.6 million associated with the capitalization of interest on real estate development projects.

### ***Equity in Net Earnings of Unconsolidated Real Estate Joint Ventures***

For the years ended December 31, 2019, 2018 and 2017, the Company's equity in net earnings of unconsolidated real estate joint ventures was \$37.9 million, \$14.2 million and \$12.5 million, respectively.

Equity earnings for the year ended December 31, 2019 includes \$29.2 million and \$5.0 million in equity earnings from the Altis at Bonterra and the Altis at Lakeline joint ventures, respectively, which includes the Company's share of gains recognized by the ventures upon the sale of their respective multifamily apartment communities. Equity earnings for the year ended December 31, 2018 includes \$9.3 million in equity earnings from the Addison on Millenia joint venture, which includes the Company's share of the gain recognized by the venture upon the sale of its multifamily apartment community. Equity earnings for the year ended December 31, 2017 includes \$11.0 million in equity earnings from the Hialeah Communities joint venture, which reflects the Company's share of the profits recognized by the venture upon the sale of single-family homes in its master planned community.

### ***The Altman Companies, LLC***

In November 2018, the Company acquired a 50% equity interest in the Altman Companies, a joint venture between the Company and Joel Altman ("JA") engaged in the development, construction, and management of multifamily apartment communities, for cash consideration of \$14.6 million, including \$2.3 million in transaction costs.

The Altman Companies owns 100% of the membership interests in Altman Development Company and Altman Management Company and 60% of the membership interests in Altman-Glenewinkel Construction and generates revenues from the performance of development, general contractor, leasing, and property management services to joint ventures that are formed to invest in development projects originated by the Altman Companies. In addition, the Company and JA invest in the managing member of such joint ventures based on their relative ownership percentages in the Altman Companies.

Pursuant to the operating agreement of the Altman Companies, the Company will acquire an additional 40% equity interest in the Altman Companies from JA for a purchase price of \$9.4 million in January 2023, and JA can also, at his option or in other predefined circumstances, require the Company to purchase his remaining 10% equity interest in the Altman Companies for \$2.4 million. However, JA will retain his membership interests, including his decision making rights, in the managing member of any development joint ventures that are originated prior to the Company's acquisition of additional equity interests in the Altman Companies. In addition, in certain circumstances, the Company may acquire the 40% membership interests in Altman-Glenewinkel Construction that are not owned by the Altman Companies for a purchase price based on prescribed formulas in the operating agreement of Altman-Glenewinkel Construction.

Under the terms of the operating agreement of the Altman Companies, the venture is being jointly managed by the Company and JA until the Company's acquisition of the additional 40% equity interest from JA, with the partners sharing decision making authority for all significant operating and financing decisions. To the extent that the parties cannot reach consensus on a matter, the operating agreement generally provides that a third party will resolve such matter; however, for certain decisions, the operating agreement provides that the venture cannot proceed with such matters without approval from both parties.

In connection with its investment in the Altman Companies, the Company acquired interests in the managing member of seven multifamily apartment developments, including four developments in which the Company had previously invested as a non-managing member, for aggregate cash consideration of \$8.8 million. In addition, the Company and JA have each contributed \$3.8 million to ABBX Guaranty, LLC, a joint venture established to provide guarantees on the indebtedness and construction cost overruns of new real estate joint ventures formed by the Altman Companies.

**Summarized Financial Information of Certain Unconsolidated Real Estate Joint Ventures**

The tables below set forth financial information, including condensed statements of financial condition and operations, related to Altis at Bonterra – Hialeah, LLC (in thousands):

|                               | December 31, |        |
|-------------------------------|--------------|--------|
|                               | 2019         | 2018   |
| <b>Assets</b>                 |              |        |
| Cash                          | \$ 855       | 3,777  |
| Restricted cash               | 559          | 256    |
| Real estate                   | —            | 55,734 |
| Other assets                  | —            | 134    |
| Total assets                  | \$ 1,414     | 59,901 |
| <b>Liabilities and Equity</b> |              |        |
| Notes payable                 | \$ —         | 38,641 |
| Other liabilities             | 751          | 571    |
| Total liabilities             | 751          | 39,212 |
| Total equity                  | 663          | 20,689 |
| Total liabilities and equity  | \$ 1,414     | 59,901 |

|   | For the Years Ended December 31, |         |         |
|---|----------------------------------|---------|---------|
|   | 2019                             | 2018    | 2017    |
| Total revenues  | \$ 4,498                         | 6,510   | 1,851   |
| Gain on sale of real estate   | 33,843                           | —       | —       |
| Other expenses  | (4,480)                          | (5,937) | (2,657) |
| Net earnings  | \$ 33,861                        | 573     | (806)   |
| Equity in net earnings of unconsolidated real estate joint venture - Altis at Bonterra - Hialeah, LLC | \$ 29,221                        | 544     | (766)   |

The tables below set forth financial information, including condensed statements of financial condition and operations, related Addison on Millenia joint venture (in thousands):

|                               | December 31, |      |
|-------------------------------|--------------|------|
|                               | 2019         | 2018 |
| <b>Assets</b>                 |              |      |
| Cash                          | \$ —         | 68   |
| Properties and equipment      | —            | —    |
| Other assets                  | —            | 86   |
| Total assets                  | \$ —         | 154  |
| <b>Liabilities and Equity</b> |              |      |
| Notes payable                 | \$ —         | —    |
| Other liabilities             | —            | 12   |
| Total liabilities             | —            | 12   |
| Total equity                  | —            | 142  |
| Total liabilities and equity  | \$ —         | 154  |

|   | For the Years Ended December 31, |              |              |
|---|----------------------------------|--------------|--------------|
|   | 2019                             | 2018         | 2017         |
| Net gains on sales of real estate assets  | \$ —                             | 22,203       | —            |
| Other revenue   | —                                | 3,858        | 1,303        |
| Total revenues  | \$ —                             | 26,061       | 1,303        |
| Total expenses  | —                                | (2,266)      | (1,794)      |
| Net earnings (losses)   | —                                | 23,795       | (491)        |
| <b>Equity in net earnings of unconsolidated real estate joint venture - The Addison at Millenia Investment, LLC</b> | <b>\$ —</b>                      | <b>9,283</b> | <b>(146)</b> |

The tables below set forth financial information, including condensed statements of financial condition and operations, related to Altis at Lakeline – Austin Investors, LLC (in thousands):

|                               | December 31, |        |
|-------------------------------|--------------|--------|
|                               | 2019         | 2018   |
| <b>Assets</b>                 |              |        |
| Cash                          | \$ 628       | 2,403  |
| Restricted cash               | 5            | 229    |
| Real estate                   | —            | 42,940 |
| Other assets                  | 144          | 108    |
| Total assets                  | \$ 777       | 45,680 |
| <b>Liabilities and Equity</b> |              |        |
| Notes payable                 | \$ —         | 33,467 |
| Other liabilities             | —            | 1,835  |
| Total liabilities             | —            | 35,302 |
| Total equity                  | 777          | 10,378 |
| Total liabilities and equity  | \$ 777       | 45,680 |

|                             | For the Years Ended December 31, |         |         |
|-----------------------------|----------------------------------|---------|---------|
|                             | 2019                             | 2018    | 2017    |
| Total revenues              | \$ 1,458                         | 5,842   | 3,528   |
| Gain on sale of real estate | 17,178                           | —       | —       |
| Other expenses              | (1,801)                          | (6,746) | (6,028) |
| Net earnings                | \$ 16,835                        | (904)   | (2,500) |

|  |          |       |       |
|--|----------|-------|-------|
| Equity in net earnings of unconsolidated real estate joint venture - Altis at Lakeline - Austin Investors, LLC | \$ 5,029 | (312) | (862) |
|--|----------|-------|-------|

## 10. Property and Equipment

The Company's property and equipment consisted of the following (in thousands):

|  | December 31,   |                |
|--|----------------|----------------|
|  | 2019           | 2018           |
|  | \$             |                |
| Land, building and building improvements           | 70,647         | 80,887         |
| Leasehold improvements                             | 45,993         | 41,278         |
| Office equipment, furniture, fixtures and software | 86,941         | 86,759         |
| Transportation                                     | 1,000          | 3,097          |
|  | 204,581        | 212,021        |
| Accumulated depreciation                           | (74,895)       | (72,393)       |
|  | \$             |                |
| <b>Property and equipment, net</b>                 | <b>129,686</b> | <b>139,628</b> |

During the years ended December 31, 2019, 2018, and 2017, the Company recognized approximately \$21.4 million, \$20.2 million, and \$15.6 million, respectively, of depreciation expense related to its property and equipment which is reflected inselling, general and administrative expenses and cost of trade sales in the Company's statements of operations and comprehensive income.

During the year ended December 31, 2019, the Company recognized \$6.7 million of impairment losses related to the disposal of seven MOD Pizza restaurant locations and the closure of two additional locations, which was primarily comprised of the write-off of leasehold improvements, furniture, and fixtures at the locations. See Note 1 for further discussion.

During the year ended December 31, 2019, Bluegreen conveyed the ski and golf operations and related property at one of its resorts to the HOA, which resulted in a loss on the disposal of approximately \$5.6 million.

## 11. Goodwill and Intangible Assets

### Goodwill

The activity in the balance of the Company's goodwill was as follows (in thousands):

|                                     | For the Years Ended December 31, |               |               |
|-------------------------------------|----------------------------------|---------------|---------------|
|                                     | 2019                             | 2018          | 2017          |
| <b>Balance, beginning of period</b> | \$ 37,248                        | 39,482        | 6,731         |
| Acquisitions                        | —                                | 1,727         | 35,164        |
| Impairment losses                   | —                                | (3,961)       | (2,413)       |
| <b>Balance, end of period</b>       | <b>\$ 37,248</b>                 | <b>37,248</b> | <b>39,482</b> |

The Company recognized \$1.7 million of goodwill in connection with the acquisition of an operating business through a loan foreclosure during the year ended December 31, 2018 and \$35.2 million of goodwill in connection with the acquisition of IT'SUGAR during the year ended December 31, 2017. The goodwill associated with IT'SUGAR is included in the Company's BBX Sweet Holdings reportable segment, while the remaining goodwill relates to an operating business included in the "Other" category for segment reporting.

As described in Note 2, the Company tests goodwill for potential impairment on an annual basis as of December 31 or during interim periods if impairment indicators exist. During the year ended December 31, 2019, the Company determined that its goodwill was not impaired. During the years ended December 31, 2018 and 2017, 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 \$4.0 million and \$2.4 million, respectively. The goodwill impairment losses recognized during the years ended December 31, 2018 and 2017 were measured based on the excess of the applicable reporting unit's carrying value over its fair value.

The decline in the fair values of these reporting units and the related recognition of goodwill impairment losses primarily resulted from ongoing losses in these operations and various strategic initiatives related to such businesses, including the consolidation of manufacturing facilities, a reduction in corporate personnel and infrastructure, and the elimination of various unprofitable brands.

### Intangible Assets

The Company's intangible assets consisted of the following (in thousands):

| Class                          | December 31,     |                |
|--------------------------------|------------------|----------------|
|                                | 2019             | 2018           |
| <b>Intangible assets:</b>      |                  |                |
| Management contracts           | \$ 61,293        | 61,293         |
| Trademarks                     | 8,522            | 8,522          |
| Customer relationships         | 70               | 70             |
| Lease premium                  | —                | 2,313          |
| Franchise agreements           | —                | 740            |
| Other                          | 721              | 777            |
|                                | <u>70,606</u>    | <u>73,715</u>  |
| Accumulated amortization       | <u>(2,420)</u>   | <u>(4,005)</u> |
| <b>Total intangible assets</b> | <b>\$ 68,186</b> | <b>69,710</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, which range from 12 to 20 years.

The off-market lease intangibles were amortized using the straight-line method over the remaining lease terms following the acquisition date of the related lease agreements, which is 5 to 9 years. Upon the Company's adoption of the new lease accounting standard on January 1, 2019, the unamortized balances of these intangibles were reclassified and included in the measurement of the right-of-use assets associated with the applicable lease agreements.

As discussed in Note 1, the Company previously entered into area development and franchise agreements with MOD Pizza related to the development of MOD Pizza franchised restaurant locations throughout Florida. The costs related to entering into these agreements were previously capitalized and being amortized using the straight-line method over their expected useful lives, which ranged from 7 to 10 years. As a result of the Company's termination of these agreements in 2019, the unamortized balance of these costs was written off and included in impairment losses in the Company's statement of operations and comprehensive income during the year ended December 31, 2019.

#### Amortization Expense

During the years ended December 31, 2019, 2018, and 2017, the Company recognized approximately \$0.7 million, \$0.8 million and \$0.9 million, respectively, of amortization expense related to its intangible assets which is reflected in selling, general and administrative expenses in the Company's statements of operations and comprehensive income.

The table below sets forth the estimated aggregate amortization expense of intangible assets during each of the five years subsequent to December 31, 2019 (in thousands):

| Years Ending December 31, | Total  |
|---------------------------|--------|
| 2020                      | \$ 630 |
| 2021                      | 609    |
| 2022                      | 556    |
| 2023                      | 500    |
| 2024                      | 500    |

#### Impairment Testing

As described in Note 2, the Company tests indefinite-lived intangible assets for impairment on at least an annual basis, or during interim periods if impairment indicators exist, and amortizable intangible assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of an intangible asset, or an asset group which includes an intangible asset, may not be recoverable. Due to ongoing losses associated with certain of BBX Sweet Holdings' businesses in the confectionery industry and strategic initiatives related to such businesses, as described above, the Company tested certain asset groups associated with these businesses for recoverability during the years ended December 31, 2019, 2018, and 2017 and determined that the carrying amounts of certain asset groups exceeded the estimated undiscounted future cash flows expected to result from the use of such assets during the year ended December 31, 2017. As a result, during the year ended December 31, 2017, the Company recognized intangible asset impairment losses



of \$1.9 million. The intangible asset impairment losses were measured based on the amount by which the carrying amounts of the intangible assets exceeded their respective estimated fair values. The Company did not recognize any intangible asset impairment losses during the years ended December 31, 2019 and 2018.

**Valuation Methods for Goodwill and Intangible Asset Impairment Testing**

The Company utilizes a discounted cash flow methodology and the guideline public company market approach 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 ten-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 approach method determines fair value based upon the consideration of trading prices of publicly held stocks of comparable companies. The significant inputs are enterprise value to revenue and enterprise value to earnings before interest, taxes, depreciation and amortization (“EBITDA”). Based on the inputs, multiples of revenue and EBITDA are derived to approximate the fair value of the reporting unit.

To the extent that impairment testing was required, the Company estimated the fair values of certain of its trademark and customer relationship intangible assets. The relief from royalty valuation method, a form of the income approach, was used to estimate the fair value of trademarks. Under this method, the fair value of trademarks was determined by calculating the present value using a risk-adjusted discount rate of the estimated future royalty payments that would have to be paid if the trademarks were not owned. The multi-period excess earnings method, a form of the income approach, was used to estimate the fair value of 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.

Inherent in the Company’s determinations of fair value are certain judgments and estimates relating to future cash flows, including the Company’s assessment of current economic indicators and market valuations and assumptions about the Company’s strategic plans with regard to its operating businesses. Due to the uncertainties associated with such evaluations, actual results could differ materially from such estimates.

**12. Leases**

BBX Capital and its subsidiaries are lessees under various operating leases for retail stores, sales offices, call centers, office space, equipment, and vehicles. Many of the Company’s lease agreements include one or more options to renew, with renewal terms that can extend the lease term from one to seven years, and the exercise of such renewal options is generally at the Company’s discretion. Certain of the Company’s lease agreements include rental payments based on a percentage of sales generated at the leased location over contractually specified levels, and others include rental payments adjusted periodically for inflation. The Company’s lease agreements do not contain material residual value guarantees or material restrictive covenants.

The Company recognizes right-of-use assets and lease liabilities associated with lease agreements with an initial term of 12 months or greater, while lease agreements with an initial term of 12 months or less are not recorded in the Company’s statement of financial condition. The Company generally does not include lease payments associated with renewal options that are exercisable at its discretion in the measurement of its right-of-use assets and lease liabilities as it is not reasonably certain that such options will be exercised. The table below sets forth information regarding the Company’s lease agreements which had an initial term of greater than 12 months (dollars in thousands):

|   | <b>As of<br/>December 31, 2019</b> |         |
|---|------------------------------------|---------|
| Operating lease assets                        | \$                                 | 109,351 |
| Operating lease liabilities                   | \$                                 | 123,430 |
| Weighted average remaining lease term (years) |                                    | 6.2     |
| Weighted average discount rate <sup>(1)</sup> |                                    | 5.27 %  |

(1) As most of the Company’s lease agreements do not provide an implicit rate, the Company estimates incremental secured borrowing rates corresponding to the maturities of its lease agreements to determine the present value of future lease payments. To estimate incremental borrowing rates applicable to BBX Capital and its subsidiaries, the Company considers various factors, including the rates applicable to its recently issued debt and credit facilities and prevailing financial market conditions. The Company used the incremental borrowing rates applicable to BBX Capital and its subsidiaries on January 1, 2019 for operating leases that commenced prior to that date.

The Company generally recognizes lease costs associated with its operating leases on a straight-line basis over the lease term, while variable lease payments that do not depend on an index or rate are recognized as variable lease costs in the period in which the obligation for those payments is incurred. The table below sets forth information regarding the Company's lease costs which are included in cost of trade sales and selling, general, and administrative expenses in the Company's consolidated statements of operations (in thousands):

|                             | <b>For the Year Ended<br/>December 31, 2019</b> |        |
|-----------------------------|---|--------|
| Fixed lease costs           | \$  | 28,745 |
| Short-term lease costs      |   | 5,266  |
| Variable lease costs        |   | 9,066  |
| Total operating lease costs | \$  | 43,077 |

The table below sets forth information regarding the maturity of the Company's operating lease liabilities as of December 31, 2019 (in thousands):

| <b>Years Ending December 31,</b>   |    |         |
|------------------------------------|----|---------|
| 2020                               | \$ | 26,384  |
| 2021                               |    | 25,568  |
| 2022                               |    | 23,413  |
| 2023                               |    | 19,863  |
| 2024                               |    | 12,644  |
| After 2024                         |    | 44,508  |
| Total lease payments               |    | 152,380 |
| Less: interest                     |    | 28,950  |
| Present value of lease liabilities | \$ | 123,430 |

The above operating lease payments exclude \$19.2 million of legally binding minimum lease payments for lease agreements executed but not yet commenced, as the Company has not received possession of the leased property. Included in the Company's statement of cash flows under operating activities for the year ended December 31, 2019 was \$27.6 million of cash paid for amounts included in the measurement of lease liabilities. During the year ended December 31, 2019, the Company obtained \$26.2 million of right-of-use assets in exchange for operating lease liabilities.

The table below sets forth the approximate minimum future rental payments (excluding executory costs) under the Company's lease agreements during periods subsequent to December 31, 2018 related to agreements that were executed as of December 31, 2018 (in thousands):

| <b>Years Ending December 31,</b> | <b>Amount</b> |         |
|----------------------------------|---------------|---------|
| 2019                             | \$            | 26,871  |
| 2020                             |               | 24,525  |
| 2021                             |               | 23,022  |
| 2022                             |               | 20,682  |
| 2023                             |               | 17,564  |
| Thereafter                       |               | 41,299  |
| Total                            | \$            | 153,963 |

During the years ended December 31, 2018 and 2017, the Company recognized rent expenses under its lease agreements of \$41.1 million and \$30.8 million, respectively, which are included in cost of trade sales and selling, general, and administrative expenses in the Company's consolidated statements of operations.

### 13. Debt

The table below sets forth the contractual minimum principal payments of the Company's debt during each of the five years subsequent to December 31, 2019 and thereafter (in thousands):

|                                 | Notes Payable<br>and Other<br>Borrowings | Receivable<br>Backed Notes<br>Payable -<br>Recourse | Receivable<br>Backed Notes<br>Payable - Non-<br>recourse | Junior<br>Subordinated<br>Debentures | Total          |
|---------------------------------|--|---|--|--------------------------------------|----------------|
| 2020                            | \$ 17,127                                | —   | —  | —                                    | 17,127         |
| 2021                            | 15,147                                   | 4,861   | —  | —                                    | 20,008         |
| 2022                            | 18,365                                   | 8,263   | —  | —                                    | 26,628         |
| 2023                            | 8,525                                    | 34,537  | —  | —                                    | 43,062         |
| 2024                            | 104,379                                  | 36,136  | 31,708   | —                                    | 172,223        |
| Thereafter                      | 27,422                                   | 4,772   | 307,663  | 177,129                              | 516,986        |
|                                 | 190,965                                  | 88,569  | 339,371  | 177,129                              | 796,034        |
| Unamortized debt issuance costs | (2,234)                                  | —   | (5,125)  | (1,129)                              | (8,488)        |
| Unamortized purchase discount   | —  | —   | —  | (38,746)                             | (38,746)       |
| <b>Total Debt</b>               | <b>\$ 188,731</b>                        | <b>88,569</b>                                       | <b>334,246</b>   | <b>137,254</b>                       | <b>748,800</b> |

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 Company's notes payable and other borrowings (dollars in thousands):

|  | December 31, 2019 |                  |  | December 31, 2018 |                  |  |
|--|-------------------|------------------|--|-------------------|------------------|--|
|  | Debt<br>Balance   | Interest<br>Rate | Carrying<br>Amount of<br>Pledged<br>Assets | Debt<br>Balance   | Interest<br>Rate | Carrying<br>Amount of<br>Pledged<br>Assets |
| <b>Bluegreen:</b>                                |                   |                  |  |                   |                  |  |
| 2013 Notes Payable                               | \$ —              | —                | \$ —                                       | \$ 28,125         | 5.50%            | \$ 22,878                                  |
| Fifth Third Bank Note                            | —                 | —                | —  | 3,834             | 5.34%            | 7,892                                      |
| NBA Éilan Loan                                   | 18,820            | 4.95%            | 31,259                                     | 25,603            | 5.60%            | 35,615                                     |
| Fifth Third Syndicated Line of Credit            | 30,000            | 3.85%            | 49,062                                     | 55,000            | 5.27%            | 92,415                                     |
| Fifth Third Syndicated Term Loan                 | 98,750            | 3.71%            | 161,497                                    | 22,500            | 5.37%            | 27,724                                     |
| Unamortized debt issuance costs                  | (1,410)           |                  |  | (1,671)           |                  |  |
| <b>Total Bluegreen</b>                           | <b>\$ 146,160</b> |                  |  | <b>\$ 133,391</b> |                  |  |
| <b>Other:</b>                                    |                   |                  |  |                   |                  |  |
| Community Development District Obligations       | \$ 29,287         | 4.25-6.00%       | \$ 49,352                                  | \$ 24,583         | 4.25-6.00%       | \$ 35,157                                  |
| TD Bank Term Loan and Line of Credit             | 6,826             | 5.00%            | (1)  | 8,117             | 5.47%            | (1)  |
| Iberia \$50.0 million Revolving Line of Credit   | —                 | —                | (2)  | 30,000            | 5.35%            | (2)  |
| Banc of America Leasing & Capital Equipment Note | 355               | 4.75%            | (3)  | 555               | 4.75%            | (3)  |
| Bank of America Revolving Line of Credit         | 2,000             | 3.24%            | —  | —                 | —                | —  |
| Unsecured Note (4)                               | 3,400             | 6.00%            | —  | 3,400             | 6.00%            | (4)  |
| Centennial Bank Note (4)                         | 1,469             | 5.25%            | 1,892                                      | 1,507             | 5.25%            | 1,968                                      |
| Other  | 58                | 15.00%           | —  | —                 | —                | —  |
| Unamortized debt issuance costs                  | (824)             |                  |  | (666)             |                  |  |
| <b>Total other</b>                               | <b>\$ 42,571</b>  |                  |  | <b>\$ 67,496</b>  |                  |  |
| <b>Total notes payable and other borrowings</b>  | <b>\$ 188,731</b> |                  |  | <b>\$ 200,887</b> |                  |  |

- (1) The collateral is a blanket lien on Renin's assets.
- (2) The collateral is membership interests in Woodbridge having a value of not less than \$100.0 million.
- (3) The collateral is a security interest in the equipment financed by the underlying note. Additionally, IT'SUGAR is guarantor on the note.
- (4) BBX Capital is guarantor on the 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. In September 2019, Bluegreen repaid in full the 2013 Notes Payable. Accordingly, the related unamortized debt issuance costs associated with the notes of \$0.4 million were written off to interest expense in the Company’s consolidated statement of operations and comprehensive income for the year ended December 31, 2019.

**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. In October 2019, Bluegreen amended the facility and increased the facility to \$225.0 million. The amended facility includes a \$100.0 million term loan (the “Fifth Third Syndicated Term Loan”) with quarterly amortization requirements and a \$125.0 million revolving line of credit (the “Fifth Third Syndicated Line of Credit”). Amounts borrowed under the amended facility generally bear interest at LIBOR plus 2.00% - 2.50%, depending on Bluegreen’s leverage ratio, are collateralized by certain of Bluegreen’s VOI inventories, sales center buildings, management fees, short-term receivables and cash flows from residual interests relating to certain term securitizations, and will mature in October 2024. At closing, Bluegreen borrowed the entire \$100.0 million term loan and \$30.0 million under the revolving line of credit. Proceeds were used to repay the outstanding balance on the existing Fifth Third syndicated credit facility, repay \$3.6 million on the existing Fifth Third Bank Note Payable and pay expenses and fees associated with the amendment, with the remainder to be used for general corporate purposes.

**NBA Éilan Loan** – In April 2018, Bluegreen purchased the Éilan Hotel & Spa in San Antonio, Texas for approximately \$34.3 million. In connection with the acquisition, Bluegreen entered into a non-revolving acquisition loan with NBA (the “NBA Éilan Loan”). The NBA Éilan Loan provides for advances of up to \$27.5 million, \$24.3 million of which was used to fund the acquisition of the resort and \$1.7 million of which was used to fund certain improvement costs. In addition, approximately \$0.4 million was drawn upon through April 2019 to fund certain future improvement costs. The ability to borrow under the NBA Éilan Loan expired in April 2019. Principal payments on the loan are effected through release payments from sales of VOIs at the Éilan Hotel & Spa that serve as collateral for the loan, subject to a minimum amortization schedule, with the remaining balance due at maturity in April 2023. Borrowings under the NBA Éilan Loan bear interest at an annual rate equal to one-month LIBOR plus 3.25%, subject to a floor of 4.75%.

## **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 Company’s development of the Beacon Lakes Community, The Meadow View at Twin Creeks CDD (the “Beacon Lakes CDD”) was formed by St. Johns County, Florida to use bond financing to fund the construction of infrastructure improvements at the Beacon Lakes Community. The Beacon Lakes CDD issues bonds periodically to fund ongoing construction of the Beacon Lakes Community, and in February 2019, November 2018, and November 2016, the Beacon Lakes CDD issued \$8.1 million, \$16.5 million, and \$21.4 million, respectively, of bonds.

The obligation to pay principal and interest on the bonds issued by the Beacon Lakes CDD is assigned to each parcel within the CDD, and the Beacon Lakes CDD has a lien on each parcel. If the owner of the parcel does not pay this obligation, the Beacon Lakes 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 assessments to be levied by the CDD are fixed or determinable amounts.

The CDD bond obligations outstanding as of December 31, 2019 have fixed interest rates ranging from 4.25% to 6.00% and mature at various times during the years 2026 through 2049. The Company at its option has the ability to repay a specified portion of the bonds at the time that it sells developed lots in the Beacon Lakes Community.

Upon the issuance of CDD bond obligations by the Beacon Lakes CDD, the Company records an obligation for the CDD bond obligations 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 and has a carrying amount of \$48.5 million as of December 31, 2019. 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 statements of financial condition as of December 31, 2019 and 2018 was \$0.8 million and \$11.4 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* - Renin maintains a credit facility with TD Bank. Under the terms and conditions of the credit facility, TD Bank provides 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.

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, 2019, the amount outstanding under the revolving credit facility was \$6.1 million and is scheduled to mature in September 2020.

The term loans were funded in three tranches aggregating \$1.6 million through July 2017. Amounts outstanding under the term loans bear interest at fixed interest rates ranging from 5.8% to 6.2% 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 July 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, as defined in the facility. 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.

As of December 31, 2019, Renin was not in compliance with certain covenants under the TD Bank credit facility as a result of a breach of its quarterly debt service coverage ratio. During the first quarter of 2020, Renin received a waiver of the default from TD Bank, and the credit facility was amended to replace the existing debt service coverage ratio with an interest coverage ratio. In connection with the amendment to the credit facility, Renin repaid the outstanding balance of the term loans with borrowings from the revolving credit facility.

*Iberia \$50.0 million Revolving Line of Credit* - In March 2018, BBX Capital, BCC, Woodbridge, and certain other wholly-owned subsidiaries of the Company entered into a \$50.0 million revolving credit facility with Iberiabank ("Iberia"), as administrative agent and lender, and City National Bank of Florida, as lender, and in July 2019, the facility was amended to extend the term of the facility and remove certain financial covenants. Amounts borrowed under the facility 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 are payable monthly. The facility matures, and all outstanding principal and interest will be payable, on June 30, 2021, with a twelve month renewal option at BBX Capital's request, subject to the 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 facility, BBX Capital is required to comply with certain financial covenants, including maintaining minimum unencumbered liquidity and complying with debt to EBITDA financial ratios. 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.

*Banc of America Leasing & Capital Equipment Note* - In September 2018, IT'SUGAR entered into a Master Loan and Security Agreement with Banc of America Leasing & Capital, LLC which sets forth the terms and conditions pursuant to which IT'SUGAR may borrow funds to purchase equipment under one or more equipment security notes. The agreement contains customary representations and covenants. Each equipment note constitutes a separate, distinct and independent financing of equipment, is secured by a security interest in the purchased equipment, and is an unconditional contractual obligation of IT'SUGAR. As of December 31, 2019, there was one equipment note outstanding with a balance of \$0.4 million. The equipment note bears interest at a fixed rate of 4.75% per annum and is payable in 36 consecutive monthly principal and interest installments of \$18,516 with a maturity date of September 2021. The equipment note is subject to a prepayment charge equal to one percent of the amount prepaid multiplied by the number of years or fraction thereof for the then remaining equipment note term.

*Bank of America Revolving Line of Credit* - In August 2018, IT'SUGAR entered into a revolving credit facility with Bank of America. Under the terms and conditions of the credit facility, Bank of America has agreed to provide a revolving line of credit to IT'SUGAR for up to \$4.0 million based on available collateral, as defined by the credit facility, and subject to IT'SUGAR's compliance with the terms and conditions of the credit facility, including certain specific financial covenants. The revolving credit facility is available through August 2021, and amounts outstanding bear interest at a LIBOR daily floating rate plus 1.50% or a monthly LIBOR rate subject to the

terms and conditions of the credit facility. Payments of interest only are payable monthly.

Under the terms and conditions of this revolving line of credit, IT'SUGAR is required to comply with certain financial covenants, including quarterly and annual debt service coverage ratios. The facility also contains various covenants, including those that, among other things, limit the ability of IT'SUGAR to incur liens, make certain investments, or engage in certain asset acquisitions or dispositions.

*Unsecured Note* – In October 2017, a wholly-owned subsidiary of BBX Capital Real Estate issued a \$3.4 million unsecured note to the seller of real estate to the Chapel Trail real estate joint venture, in which the subsidiary has a 46.75% equity interest. The issuance of the unsecured note was part of the subsidiary's initial capital contribution to the venture. The note was not secured by the Company's equity interest in the joint venture or the venture's underlying property, and BBX Capital guaranteed the repayment of the unsecured note. The unsecured note accrued interest at a fixed rate of 6.0% per annum, with monthly interest only payments, and was scheduled to mature in October 2022. In February 2020, the Company repaid in full the unsecured note.

*Centennial Bank Note* – In October 2014, Hoffman's Chocolates issued a \$1.7 million note payable to Centennial Bank. The note is secured by land and buildings owned by Hoffman's Chocolates, and BBX Capital and BBX Sweet Holdings have guaranteed the repayment of the note. The note requires monthly principal and interest payments based upon a 25 year amortization schedule and matures in October 2024.

#### Receivable-Backed Notes Payable

The table below sets forth information regarding Bluegreen's receivable-backed notes payable facilities (dollars in thousands):

|  | December 31, 2019 |               |   | December 31, 2018 |               |   |
|--|-------------------|---------------|---|-------------------|---------------|---|
|  | Debt Balance      | Interest Rate | Principal Balance of Pledged/ Secured Receivables | Debt Balance      | Interest Rate | Principal Balance of Pledged/ Secured Receivables |
| <b>Receivable-backed notes payable - recourse:</b>     |                   |               |   |                   |               |   |
| Liberty Bank Facility                                  | \$ 25,860         | 4.75%         | \$ 31,681   | \$ 17,654         | 5.25%         | \$ 22,062   |
| NBA Receivables Facility                               | 32,405            | 4.55%         | 39,787  | 48,414            | 5.27%         | 57,805  |
| Pacific Western Facility                               | 30,304            | 4.68%         | 37,809  | 10,606            | 5.52%         | 13,730  |
| <b>Total</b>   | <b>\$ 88,569</b>  |               | <b>\$ 109,277</b>                                 | <b>\$ 76,674</b>  |               | <b>\$ 93,597</b>                                  |
| <b>Receivable-backed notes payable - non-recourse:</b> |                   |               |   |                   |               |   |
| KeyBank/DZ Purchase Facility                           | 31,708            | 3.99%         | 39,448  | —                 | —             | —   |
| Quorum Purchase Facility                               | 44,525            | 4.75-5.50%    | 49,981  | 40,074            | 4.75-5.50%    | 45,283  |
| 2012 Term Securitization                               | 8,638             | 2.94%         | 9,878   | 15,212            | 2.94%         | 16,866  |
| 2013 Term Securitization                               | 18,219            | 3.20%         | 19,995  | 27,573            | 3.20%         | 29,351  |
| 2015 Term Securitization                               | 31,188            | 3.02%         | 33,765  | 44,230            | 3.02%         | 47,690  |
| 2016 Term Securitization                               | 48,529            | 3.35%         | 54,067  | 63,982            | 3.35%         | 72,590  |
| 2017 Term Securitization                               | 65,333            | 3.12%         | 74,219  | 83,513            | 3.12%         | 95,877  |
| 2018 Term Securitization                               | 91,231            | 4.02%         | 103,974   | 114,480           | 4.02%         | 125,916   |
| Unamortized debt issuance costs                        | (5,125)           |               |   | (6,807)           |               |   |
| <b>Total</b>   | <b>\$ 334,246</b> |               | <b>\$ 385,327</b>                                 | <b>\$ 382,257</b> |               | <b>\$ 433,573</b>                                 |
| <b>Total receivable-backed debt</b>                    | <b>\$ 422,815</b> |               | <b>\$ 494,604</b>                                 | <b>\$ 458,931</b> |               | <b>\$ 527,170</b>                                 |

*Liberty Bank Facility* – Since 2008, Bluegreen has maintained a revolving VOI notes receivable hypothecation facility with Liberty Bank (the "Liberty Bank Facility") which provides for advances on eligible receivables pledged under the Liberty Bank Facility, subject to specified terms and conditions, during a revolving credit period. In March 2018, the Liberty Bank Facility was amended and restated to extend the revolving credit period from March 2018 to March 2020, extend the maturity date from November 2020 until March 2023, and amend the interest rate on borrowings as described below. Subject to its terms and conditions, the Liberty Bank Facility provides for 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 during the revolving credit period of the facility. Maximum permitted outstanding borrowings under the Liberty Bank Facility are \$50.0 million, subject to the terms of the facility. Through March 31, 2018, borrowings under the Liberty Bank Facility accrued interest at the Wall Street Journal ("WSJ") Prime Rate plus 0.50% per annum, subject to a 4.00% floor. Pursuant to the March 2018 amendment to the facility, effective April 1, 2018, all borrowings outstanding under the facility accrue interest at the WSJ Prime Rate, subject to a 4.00% floor. Subject to the terms of the

facility, principal and interest under the Liberty Bank Facility are paid as cash is collected on the pledged receivables, with the remaining balance being due by maturity. In February 2020, the Liberty Bank Facility was amended solely to extend the revolving credit period from March 2020 to June 2020.

*NBA Receivables Facility.* Bluegreen/Big Cedar Vacations has a revolving VOI hypothecation facility with National Bank of Arizona (the “NBA Receivables Facility”). 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 September 2020 and allows for maximum borrowings of up to \$70.0 million. 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%). Subject to the terms of the facility, principal and interest payments received on pledged receivables are applied to principal and interest due under the facility, with the remaining outstanding balance being due by maturity.

*Pacific Western Facility* - Bluegreen has a revolving VOI notes receivable hypothecation facility with Pacific Western Bank (the “Pacific Western Facility”) 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, subject to eligible collateral and customary terms and conditions. In August 2018, the Pacific Western Facility was amended to extend the revolving advance period from September 2018 through September 2021 and the maturity date from September 2021 until September 2024 (in each case, 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 believes are typically consistent with loans originated under its 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. In addition, pursuant to the August 2018 amendment to the facility, effective September 21, 2018, all borrowings outstanding under the facility accrue interest at an annual rate equal to 30-day LIBOR plus 3.00%; provided, however, that a portion of the borrowings, to the extent such borrowings are in excess of established debt minimums, accrue interest at 30-day LIBOR plus 2.75%. Subject to the terms of the facility, 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 being due by maturity.

*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 and provides for an advance rate of 80% with respect to VOI receivables securing amounts financed. In December 2019, Bluegreen amended the facility to extend the advance period from December 2019 to December 2022. The amended facility will mature and all outstanding amounts will become due 24 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. Pursuant to the amendment, the interest rate payable under the facility is the applicable index rate plus 2.25% until the expiration of the revolving advance period (a decrease from 2.75% prior to the amendment) and thereafter will be the applicable index rate plus 3.25% (a decrease from 4.75% prior to the amendment). 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 and is not guaranteed by Bluegreen.

*Quorum Purchase Facility* - Bluegreen/Big Cedar Vacations has a VOI notes receivable purchase facility (the “Quorum Purchase Facility”) with Quorum Federal Credit Union (“Quorum”) pursuant to which Quorum agreed to purchase eligible VOI notes receivable in an amount of up to an aggregate \$50.0 million purchase price, subject to certain conditions precedent and other terms of the facility. The revolving purchase period expires June 30, 2020. The interest rate on each advance is set at the time of funding based on rates mutually agreed upon by all parties, and the loan purchase fee is applicable to future advances is 0.25%. The maturity of the Quorum Purchase Facility is December 2032. Of the amounts outstanding under the Quorum Purchase Facility at December 31, 2019, \$3.1 million accrues interest at a rate per annum of 4.75%, \$21.3 million accrues interest at a fixed rate of 4.95%, \$1.6 million accrues interest at a fixed rate of 5.0%, \$17.2 million accrues interest at a fixed rate of 5.1%, and \$1.3 million accrues interest at a fixed rate of 5.50%. The Quorum Purchase Facility provides for an 85% advance rate on eligible receivables sold under the facility; however Quorum can modify this advance rate on future purchases subject to the terms and conditions of the facility. Eligibility requirements for VOI notes receivable sold include, among others, that the obligors under the VOI 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 VOI notes receivable transferred to Quorum under the facility (excess meaning after payment of customary fees, interest and principal under the facility) on a pro-rata basis as borrowers make payments on their VOI notes receivable. While ownership of the VOI notes receivable included in the Quorum Purchase 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 and is not guaranteed by Bluegreen.

*2018 Term Securitization* - In October 2018, Bluegreen completed the 2018 Term Securitization, a private offering and sale of approximately \$117.7 million of investment-grade, VOI receivable-backed notes (the "Notes"), including approximately \$49.8 million of Class A Notes, approximately \$33.1 million of Class B Notes, and approximately \$34.8 million of Class C Notes with interest rates of 3.77%, 3.95% and 4.44%, respectively, which blends to an overall weighted average interest rate of approximately 4.02%. The gross advance rate for this transaction was 87.2%. The Notes mature in February 2034.

The amount of the VOI notes receivables sold to BXG Receivables Note Trust 2018 (the "Trust") was approximately \$135.0 million, approximately \$109.0 million of which was sold to the Trust at closing, approximately \$23.9 million of which was subsequently sold to the 2018 Trust in 2018, and the remainder of which was sold to the Trust in January 2019. The gross proceeds of such sales to the Trust were approximately \$117.7 million. A portion of the proceeds received at the closing was used to: repay KeyBank and DZ approximately \$49.2 million, representing all amounts outstanding (including accrued interest) under the KeyBank/DZ Purchase Facility at that time; repay Liberty Bank approximately \$20.4 million under the Liberty Bank Facility; repay Pacific Western Bank approximately \$7.1 million under the Pacific Western Bank Facility; capitalize a reserve fund; and pay fees and expenses associated with the transaction. The remainder of the proceeds from the 2018 Term Securitization were used for general corporate purposes.

While ownership of the VOI receivables included in the 2018 Term Securitization is transferred and sold for legal purposes, the transfer of these VOI receivables is accounted for as a secured borrowing for financial accounting purposes. Accordingly, no gain or loss was recognized as a result of the transaction.

Subject to performance of the collateral, Bluegreen will receive any excess cash flows generated by the receivables transferred under the 2018 Term Securitization (meaning excess cash after payments of customary fees, interest, and principal under the 2018 Term Securitization) on a pro-rata basis as borrowers make payments on their VOI loans.

*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 2019 and 2018, Bluegreen repaid \$62.6 million and \$51.0 million, respectively, under these additional receivable-backed notes payable facilities.

### **Junior Subordinated Debentures**

The table below sets forth information regarding the Company's junior subordinated debentures (dollars in thousands):

|   | <b>December 31, 2019</b> |   | <b>December 31, 2018</b> |   | <b>Maturity Years<sup>(2)</sup></b> |
|---|--------------------------|---|--------------------------|---|-------------------------------------|
|   | <b>Carrying Amounts</b>  | <b>Effective Interest Rates<sup>(1)</sup></b> | <b>Carrying Amounts</b>  | <b>Effective Interest Rates<sup>(1)</sup></b> |                                     |
| Woodbridge - Levitt Capital Trusts I - IV   | \$ 66,302                | 5.74 - 5.95%                                  | \$ 66,302                | 6.20 - 6.65%                                  | 2035 - 2036                         |
| Bluegreen Statutory Trusts I - VI           | 110,827                  | 6.74 - 6.86%                                  | 110,827                  | 7.32 - 7.70%                                  | 2035 - 2037                         |
| Unamortized debt issuance costs             | (1,129)                  |   | (1,200)                  |   |                                     |
| Unamortized purchase discount               | (38,746)                 |   | (39,504)                 |   |                                     |
| <b>Total junior subordinated debentures</b> | <b>\$ 137,254</b>        |   | <b>\$ 136,425</b>        |   |                                     |

(1) The Company's junior subordinated debentures bear interest at three-month LIBOR (subject to quarterly adjustment) plus a spread ranging from 3.80% to 4.90%.

(2) All of the junior subordinated debentures were eligible for redemption by Woodbridge and Bluegreen, as applicable, as of December 31, 2019 and 2018.

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 VIEs in which Woodbridge and Bluegreen, as applicable, are not the primary beneficiaries. 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. Included in other assets as of December 31, 2019 and 2018 was \$2.1 million of equity in the Trusts. 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 Levitt Capital Trust II (“LCTII”) trust preferred securities for \$6.7 million and purchased approximately \$7.7 million of Levitt Capital Trust III (“LCTIII”) trust preferred securities for \$4.7 million, and in February 2017, Woodbridge delivered the purchased 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 statement of operations for the year ended December 31, 2017.

**Debt Compliance and Amounts Available under Credit Facilities**

As of December 31, 2019, BBX Capital and its subsidiaries were in compliance with all financial debt covenants, under its debt instruments other than the default which occurred under Renin’s credit facility with TD Bank that was waived in the first quarter of 2020, as described above.

Amounts available under credit facilities for BBX Capital and its subsidiaries as of December 31, 2019 were as follows (in thousands):

|                                  |           |                |
|----------------------------------|-----------|----------------|
| BBX Capital                      | \$        | 50,000         |
| Bluegreen                        |           | 220,200        |
| Renin                            |           | 4,983          |
| IT’SUGAR                         |           | 2,000          |
| <b>Total credit availability</b> | <b>\$</b> | <b>277,183</b> |

The amounts available under the Company’s credit facilities are subject to eligible collateral and the terms of the facilities, as applicable.

**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>2019</b>                             | <b>2018</b>   | <b>2017</b>   |
| U.S.         | \$ 49,414                               | 88,284        | 92,115        |
| Foreign      | (653)                                   | (852)         | 486           |
| <b>Total</b> | <b>\$ 48,761</b>                        | <b>87,432</b> | <b>92,601</b> |

The Company’s provision (benefit) for income taxes consisted of the following (in thousands):

|   | <b>For the Years Ended December 31,</b> |               |                 |
|---|---|---------------|-----------------|
|   | <b>2019</b>                             | <b>2018</b>   | <b>2017</b>     |
| <b>Current:</b>                             |   |               |                 |
| Federal                                     | \$ 12,260                               | 676           | 1,211           |
| State                                       | 2,326                                   | 3,519         | 1,767           |
|   | <b>14,586</b>                           | <b>4,195</b>  | <b>2,978</b>    |
| <b>Deferred:</b>                            |   |               |                 |
| Federal                                     | 601                                     | 22,824        | (14,368)        |
| State                                       | 1,471                                   | 4,620         | 1,688           |
|   | <b>2,072</b>                            | <b>27,444</b> | <b>(12,680)</b> |
|   | <b>\$</b>                               |               |                 |
| <b>Provision (benefit) for income taxes</b> | <b>16,658</b>                           | <b>31,639</b> | <b>(9,702)</b>  |

The table below sets forth a reconciliation of the Company's expected Federal income tax provision to the actual provision for income taxes (dollars in thousands):

|  | For the Years Ended December 31, |                |                  |                |                   |                  |
|--|----------------------------------|----------------|------------------|----------------|-------------------|------------------|
|  | 2019                             |                | 2018             |                | 2017              |                  |
| Income tax provision at expected federal income tax rate <sup>(1)</sup>                            | \$ 10,240                        | 21.00 %        | \$ 18,360        | 21.00 %        | \$ 32,410         | 35.00 %          |
| <b>Increase (decrease) resulting from:</b>   |                                  |                |                  |                |                   |                  |
| Provision for state taxes, net of federal effect   | 2,967                            | 6.08           | 6,446            | 7.37           | 3,607             | 3.90             |
| Effect of federal rate change-2017 tax reform  | —                                | —              | —                | —              | (45,267)          | (48.88)          |
| Taxes related to noncontrolling interests in subsidiaries not consolidated for income tax purposes | (2,306)                          | (4.73)         | (2,519)          | (2.88)         | (4,467)           | (4.82)           |
| Nondeductible executive compensation   | 5,572                            | 11.43          | 8,421            | 9.63           | 4,309             | 4.65             |
| Bluegreen initial public offering  | —                                | —              | —                | —              | 1,467             | 1.58             |
| SEC penalty  | —                                | —              | —                | —              | (1,593)           | (1.72)           |
| Other – net  | 185                              | 0.38           | 931              | 1.06           | (168)             | (0.18)           |
| <b>Provision (benefit) for income taxes</b>  | <b>\$ 16,658</b>                 | <b>34.16 %</b> | <b>\$ 31,639</b> | <b>36.18 %</b> | <b>\$ (9,702)</b> | <b>(10.47) %</b> |

(1) Expected tax is computed based upon income before income taxes.

The Company's deferred income taxes consisted of the following significant components (in thousands):

|   | December 31,      |                 |                |
|---|-------------------|-----------------|----------------|
|   | 2019              | 2018            | 2017           |
| <b>Deferred tax assets:</b>   |                   |                 |                |
| Allowance for loan losses, tax certificate losses and write-downs for financial statement purposes                    | \$ 30,644         | 29,969          | 25,604         |
| Federal and State NOL and tax credit carryforward   | 95,970            | 97,102          | 132,650        |
| Real estate valuation   | 6,575             | 7,519           | 9,117          |
| Property and equipment  | —                 | —               | 1,642          |
| Expenses recognized for books and deferred for tax  | 7,827             | 2,985           | 3,868          |
| Other   | 6,261             | 4,409           | 3,521          |
| <b>Total gross deferred tax assets</b>  | <b>147,277</b>    | <b>141,984</b>  | <b>176,402</b> |
| Valuation allowance   | (86,435)          | (86,533)        | (86,267)       |
| <b>Total deferred tax assets</b>  | <b>60,842</b>     | <b>55,451</b>   | <b>90,135</b>  |
| <b>Deferred tax liabilities:</b>  |                   |                 |                |
| Installment sales treatment of notes  | 107,551           | 104,126         | 100,717        |
| Intangible assets   | 14,760            | 14,162          | 14,322         |
| Junior subordinated debentures  | 9,124             | 9,378           | 9,144          |
| Deferral of VOI sales and costs under timeshare accounting  | 10,511            | 8,654           | 10,071         |
| Property and equipment  | 4,985             | 3,351           | —              |
| Other   | 1,469             | 2,143           | 3,849          |
| <b>Total gross deferred tax liabilities</b>   | <b>148,400</b>    | <b>141,814</b>  | <b>138,103</b> |
| Net deferred tax liability  | (87,558)          | (86,363)        | (47,968)       |
| Less net deferred tax liability at beginning of period  | 86,363            | 47,968          | 51,674         |
| Reclassify alternative minimum tax credit to other assets   | —                 | 11,169          | —              |
| Bluegreen initial public offering   | —                 | —               | 11,988         |
| Cumulative effect for excess tax benefits recognized in accumulated earnings associated with share based compensation | —                 | —               | (3,054)        |
| Cumulative effect for the adoption of ASU 2016-02 recognized in accumulated earnings                                  | (874)             | —               | —              |
| Other   | (3)               | (218)           | 40             |
| <b>(Provision) benefit for deferred income taxes</b>  | <b>\$ (2,072)</b> | <b>(27,444)</b> | <b>12,680</b>  |

### Impact of the Tax Reform Act

On December 22, 2017, the Tax Reform 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 Reform Act permanently lowered the federal corporate tax rate to 21% from the previous maximum rate of 35%, effective for tax years commencing January 1, 2018. As a result of the reduction of the corporate tax rate to 21%, the Company revalued its deferred tax assets and liabilities as of the date of enactment and recognized a \$45.3 million provisional benefit for income taxes during the year ended December 31, 2017. During the year ended December 31, 2018, the Company completed its analysis of the tax effects of the Tax Reform Act and reduced the provisional tax benefit recognized for the year ended December 31, 2017 by \$2.8 million as a result of its analysis of the impact of the Tax Reform Act on the deductibility of certain compensation to covered employees. The \$2.8 million adjustment recognized during the year ended December 31, 2018 is included in nondeductible executive compensation in the above table that reconciles the Company's expected income tax provision to its actual income tax provision.

The Tax Reform Act also repealed the alternative minimum tax effective in 2018 and allows credits associated with the alternative minimum tax to be applied to fully offset regular income taxes. Any credits that are not used to reduce regular income taxes are 50% refundable for the years 2019 through 2020 and 100% refundable in 2021. The Company had alternative minimum tax credit carryforwards of \$11.2 million as of December 31, 2018 that were reclassified from deferred tax liabilities to other assets in the Company's consolidated statement of financial condition as of December 31, 2018. During the year ended December 31, 2019, this credit was fully utilized.

### Valuation Allowance on Deferred Tax Assets

The Company evaluates its deferred tax assets to determine if valuation allowances are required. In the evaluation, management considers net operating loss ("NOL") carryback 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 decreased by \$0.1 million for the year ended December 31, 2019 and increased by \$0.3 million for the year ended December 31, 2018.

As of December 31, 2019, the Company has established a valuation allowance of \$86.2 million relating to the deferred tax asset of \$96.0 million for federal and state NOL and tax credit carryforwards, as the Company's ability to utilize a portion of these carryforwards to reduce future tax liability income is subject to significant limitations. The table below sets forth information regarding the federal and state NOL and tax credit carryforwards and the applicable valuation allowance as of December 31, 2019 (in thousands):

|   | Federal and<br>State NOL and<br>Credit<br>Carryforward | Gross<br>Deferred<br>Tax Asset | Valuation<br>Allowance | Net<br>Deferred<br>Tax Asset | Year Expires  |
|---|--|--------------------------------|------------------------|------------------------------|---------------|
| Non-Florida State NOLs                    | \$ 227,700   | 10,329                         | 2,458                  | 7,871                        | 2020-2039     |
| Federal NOL SRLY Limitation               | 227,595  | 47,795                         | 47,795                 | —                            | 2026-2034     |
| Florida NOL SRLY Limitation               | 750,987  | 32,630                         | 32,630                 | —                            | 2026-2034     |
| Other Federal tax credits-SRLY Limitation | 2,372  | 2,372                          | 2,372                  | —                            | 2025-2031     |
| Federal NOL Section 382 Limitation        | 7,885  | 1,656                          | —                      | 1,656                        | 2023-2029     |
| Florida NOL Section 382 Limitation        | 5,127  | 209                            | —                      | 209                          | 2024-2029     |
| Canadian NOL                              | 3,919  | 794                            | 794                    | —                            | 2033-2039     |
| Canadian capital losses                   | 738  | 185                            | 185                    | —                            | Do not expire |
| <b>Total</b>                              | <b>\$</b>  | <b>95,970</b>                  | <b>86,234</b>          | <b>9,736</b>                 |               |

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 \$9.7 million of the deferred tax asset that is attributed to the Company's federal and state NOL and credit carryforwards.

As of December 31, 2019, Bluegreen had non-Florida state NOL carryforwards of \$227.7 million which expire from 2020 through 2039. These NOLs can only be utilized against Bluegreen's (or a subsidiary of Bluegreen) income allocable to the state in which the NOL was generated. A valuation allowance is maintained for those state NOLs where the NOL is not more likely than not realizable.

As of December 31, 2019, the Company had 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 (the “SRLY 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 NOLs 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, the amounts in the table represent the NOLs that more likely than not can be utilized before expiration.

As of December 31, 2019, BBX Capital’s Canadian subsidiaries had NOL carryforwards. As the Canadian operation has 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.

**Other**

In September 2009, the Company adopted a shareholder rights agreement designed to protect its ability to use available NOLs to offset future taxable income and deter shareholders from acquiring a 5% or greater ownership interest in BBX Capital’s common stock without the prior approval of the board of directors. During the year ended December 31, 2019, the shareholder rights agreement expired.

The Company evaluates its tax positions based upon guidelines of ASC 740, 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, 2019, 2018, or 2017.

The Company is no longer subject to federal or Florida income tax examinations by tax authorities for tax years before 2016. 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 2015.

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. Revenue Recognition**

The table below sets forth the Company’s revenue disaggregated by category (in thousands):

|  | <b>For the Years Ended December 31,</b> |                |                |
|--|---|----------------|----------------|
|  | <b>2019</b>                             | <b>2018</b>    | <b>2017</b>    |
| Sales of VOIs                            | \$ 255,375                              | 254,225        | 242,017        |
| Fee-based sales commissions              | 207,832                                 | 216,422        | 229,389        |
| Resort and club management revenue       | 103,470                                 | 99,535         | 91,080         |
| Cost reimbursements                      | 63,889                                  | 62,534         | 52,639         |
| Resort title fees                        | 14,246                                  | 12,205         | 14,742         |
| Trade sales - wholesale                  | 80,197                                  | 82,800         | 89,223         |
| Trade sales - retail                     | 106,140                                 | 96,686         | 52,862         |
| Sales of real estate inventory           | 5,049                                   | 21,771         | —              |
| Other customer revenue                   | 7,528                                   | 6,284          | 5,997          |
| <b>Revenue from customers</b>            | <b>843,726</b>                          | <b>852,462</b> | <b>777,949</b> |
| Interest income                          | 86,326                                  | 85,501         | 83,708         |
| Net gains on sales of real estate assets | 13,616                                  | 4,563          | 1,451          |
| Other revenue                            | 3,203                                   | 3,372          | 5,661          |
| <b>Total revenues</b>                    | <b>\$ 946,871</b>                       | <b>945,898</b> | <b>868,769</b> |

## 16. Commitments and Contingencies

### *Litigation Matters*

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 and other business activities. Additionally, from time to time in the ordinary course of business, the Company is involved in disputes with existing and former employees, vendors, taxing jurisdictions, and various other parties and also receives consumer complaints and complaints, inquiries, and orders requiring compliance from governmental and consumer agencies, including Offices of State Attorneys General. The Company 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*

There were no material pending legal proceedings against BBX Capital or its subsidiaries other than proceedings against Bluegreen as of December 31, 2019.

#### *Bluegreen Litigation*

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 sought damages in the amount of the unpaid compensation owed to the plaintiffs. The court granted preliminary approval of class action in September 2017 to conditionally certify collective action and facilitate notice to potential class members be granted with respect to certain employees and denied as to others. In February 2019, the parties agreed to settle the matter for an immaterial amount. The court approved the settlement and dismissed the case with prejudice on May 9, 2019.

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, Michael Oliver, Carrie Oliver, Russell Walters, Elaine Walters, and Mike Ericson, individually and on behalf of all other similarly situated, filed a purported class action 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 alleged the making of false representations in connection with Bluegreen's sales of VOIs. The purported class action lawsuit was dismissed without prejudice after mediation. However, on or about April 24, 2018, plaintiffs re-filed their individual claims in Palm Beach County Circuit Court. Subsequently on October 15, 2019, the Court entered an order granting summary judgment in favor of Bluegreen and dismissed all claims. Bluegreen has moved for their attorneys' fees. Plaintiffs have filed a notice to appeal the summary judgment order.

On February 28, 2018, Oscar Hernandez and Estella Michael filed a purported class action litigation in San Bernardino Superior Court against BVU. The central claims in the complaint, as amended during June 2018, include alleged failures to pay overtime and wages at termination and to provide meal and rest periods, as well as claims relating to non-compliant wage statements and unreimbursed business expenses; and a claim under the Private Attorney's General Act. Plaintiffs sought to represent a class of approximately 660 hourly, non-exempt employees who worked in the state of California since March 1, 2014. In April 2019, the parties mediated and agreed to settle the matter for an immaterial amount. It is expected that the court will approve the settlement and the dismissal of the lawsuit after the settlement documents are executed.

On June 28, 2018, Melissa S. Landon, Edward P. Landon, Shane Auxier and Mu Hpare, individually and on behalf of all others similarly situated, filed a purported class action lawsuit against the Company and BVU asserting claims for alleged violations of the Wisconsin

Timeshare Act, Wisconsin law prohibiting illegal referral selling, and Wisconsin law prohibiting illegal attorney's fee provisions. Plaintiffs' allegations include that Bluegreen failed to disclose the identity of the seller of real property at the beginning of Bluegreen's initial contact with the purchaser; that Bluegreen misrepresented who the seller of the real property was; that Bluegreen misrepresented the buyer's right to cancel; that Bluegreen included an illegal attorney's fee provision in the sales document(s); that Bluegreen offered an illegal "today only" incentive to purchase; and that Bluegreen utilizes an illegal referral selling program to induce the sale of VOIs. Plaintiffs seek certification of a class consisting of all persons who, in Wisconsin, purchased from Bluegreen one or more VOIs within six years prior to the filing of this lawsuit. Plaintiffs seek statutory damages, attorneys' fees and injunctive relief. Bluegreen moved to dismiss the case, and on November 27, 2019, the Court issued a ruling granting the motion in part. Bluegreen has answered the remaining claims. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

On January 7, 2019, Shehan Wijesinha filed a purported class action lawsuit alleging violations of the Telephone Consumer Protection Act (the "TCPA"). It is alleged that BVU called plaintiff's cell phone for telemarketing purposes using an automated dialing system and that plaintiff did not give BVU his express written consent to do so. Plaintiffs seek certification of a class comprised of other persons in the United States who, received similar calls from or on behalf of BVU without the person's consent. Plaintiff seeks monetary damages, attorneys' fees and injunctive relief. Bluegreen believes the lawsuit is without merit and intend to vigorously defend the action. On July 15, 2019, the court entered an order staying this case pending a ruling from the Federal Communications Commission clarifying the definition of an automatic telephone dialing system under the TCPA and the decision of the Eleventh Circuit in a separate action brought against a VOI company by a plaintiff alleging violations of the TCPA.

On January 7, 2019, Debbie Adair and thirty-four other timeshare purchasers filed a lawsuit against BVU and Bass Pro alleging violations of the Tennessee Consumer Protection Act, the Tennessee Time-share Act, the California Time-Share Act, fraudulent misrepresentation for failure to make certain required disclosures, fraudulent inducement for inducing purchasers to remain under contract past rescission, unauthorized practice of law, civil conspiracy, unjust enrichment, and breach of contract. Plaintiffs seek rescission of their contracts, money damages, including statutory treble damages, or in the alternative, punitive damages in an amount not less than \$0.5 million. Bluegreen has filed a motion to dismiss which is pending. Bluegreen has agreed to indemnify Bass Pro with respect to the claims brought against Bluegreen in this proceeding. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

On March 15, 2018, BVU entered into an Agreement for Purchase and Sale of Assets with T. Park Central, LLC, O. Park Central, LLC, and New York Urban Ownership Management, LLC, (collectively "New York Urban") ("Purchase and Sale Agreement"), which provides for the purchase of The Manhattan Club inventory over a number of years and the assumption of the management contract with The Manhattan Club HOA anticipated to occur in 2021. On October 7, 2019, New York Urban initiated arbitration proceedings against BVU alleging that The Manhattan Club HOA (of which BVU is a member) was obligated to pay an increased management fee to a New York Urban affiliate and that this higher amount would be the benchmark for BVU's purchase of the management contract under the parties' Purchase and Sale Agreement. New York Urban also sought damages in the arbitration proceedings in excess of \$10 million for promissory estoppel and tortious interference. BVU denied New York Urban's claims and terminated the Purchase and Sale Agreement and the related Security Agreement for, among other things, prematurely initiating arbitration in violation of the Purchase and Sale Agreement. On November 25, 2019, New York Urban sent its own Notice of Termination and a separate letter containing an offer to compromise if BVU resigns its position on the Manhattan Club HOA board and permits New York Urban to enforce its rights under the Security Agreement. On November 29, 2019, BVU accepted the offer. BVU has provided New York Urban with resignations of its members on the Board of Directors consistent with the parties' settlement agreement. BVU believes it has fulfilled all of its legal obligations under the settlement terms offered.

On July 18, 2019, Eddie Boyd, et al. filed an action alleging that BVU and co-defendants violated the Missouri Merchandise Practices Act for allegedly making false statements and misrepresentations with respect to the sale of VOIs. Plaintiffs further have filed a purported class action allegation that BVU's charging of an administrative processing fee constitutes the unauthorized practice of law. Plaintiffs seek monetary damages, attorneys' fees and injunctive relief. Bluegreen has moved to dismiss the action. Bluegreen believes the lawsuit is without merit and intends to vigorously defend the action.

Commencing in 2015, it came to Bluegreen's attention that its collection efforts with respect its VOI notes receivable were being impacted by a then emerging, industry-wide trend involving the receipt of "cease and desist" letters from exit firms and their 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 exit firms 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 8.7% in 2019. Bluegreen also estimates that approximately 12.6% of the total delinquencies on its VOI notes receivable as of December 31, 2019 related to VOI notes receivable subject to this issue. Bluegreen has in a number of cases pursued, and may in the future pursue, legal action against the VOI owners, and in certain circumstances against the exit firms.

On December 21, 2018, Bluegreen filed a lawsuit against timeshare exit firm Totten Franqui and certain of its affiliates ("TPEs"). In the complaint, Bluegreen alleged that the TPEs, through various forms of deceptive advertising, as well as inappropriate direct contact with

VOI owners, made false statements about Bluegreen and provided misleading information to the VOI owners. The TPEs have encouraged nonpayment by consumers and exacted fees for doing so. Bluegreen believes the consumers are paying fees to the TPEs in exchange for illusory services. Bluegreen has asserted claims against the TPEs under the Lanham Act, as well as tortious interference with contractual relations, civil conspiracy to commit tortious interference and other claims. During the course of the litigation, the TPEs and Totten Franqui filed for bankruptcy, which resulted in the litigation being stayed. The bankruptcy judge has appointed an independent trustee to handle the estate of the debtors and Bluegreen has been in discussions with the bankruptcy trustee about a possible settlement. Bluegreen intends to assert all of its legal rights in the bankruptcy case.

On November 13, 2019, Bluegreen filed a lawsuit against timeshare exit firm The Montgomery Law Firm and certain of its affiliates (“also included in TPEs”). In the complaint, Bluegreen alleged that the TPEs, through various forms of deceptive advertising, as well as inappropriate direct contact with VOI owners, made false statements about Bluegreen and provided misleading information to the VOI owners. The TPEs have encouraged nonpayment by consumers and exacted fees for doing so. Bluegreen believes the consumers are paying fees to the TPEs in exchange for illusory services. Bluegreen has asserted claims against the TPEs under the Lanham Act, as well as tortious interference with contractual relations, civil conspiracy to commit tortious interference and other claims.

#### ***Other Commitments, Contingencies, and Guarantees***

##### *Bluegreen / Bass Pro Settlement*

BVU 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.

On May 24, 2019, Bluegreen received notice from Bass Pro and its affiliates that it was terminating the marketing agreement based on the failure to cure the alleged breaches, and Bluegreen was removed from all Bass Pro retail stores. BVU subsequently filed a counter claim against Bass Pro and Big Cedar LLC.

On June 13, 2019, Bluegreen entered into a settlement agreement which resolved the litigation and reinstated and amended the marketing agreement. Pursuant to the terms of the settlement agreement, Bass Pro agreed to reinstate BVU’s access to Bass Pro’s marketing channels, including Bass Pro and Cabela’s retail stores. Additionally, with no admission of any wrongdoing, Bluegreen paid Bass Pro \$20.0 million in June 2019 and, among other things, agreed to make five annual payments to Bass Pro of \$4.0 million each commencing in 2020. Bluegreen accrued for the net present value of the above amounts, plus attorneys’ fees and costs, totaling approximately \$39.1 million, which is reflected in selling, general, and administrative expenses in the Company’s consolidated statement of operations for the year ended December 31, 2019. As of December 31, 2019, \$17.9 million was accrued for the remaining payments required by the settlement agreement, which is included in other liabilities in the Company’s consolidated statement of financial condition.

As of December 31, 2019, Bluegreen sold vacation packages in 68 Bass Pro retail stores and 15 Cabela’s retail stores. During the years ended December 31, 2019 and 2018, VOI sales to prospects and leads generated by the agreement with Bass Pro accounted for approximately 13% and 14%, respectively, of Bluegreen’s VOI sales volume.

##### *Other*

In lieu of paying maintenance fees for unsold VOI inventory, Bluegreen may enter in subsidy agreements with certain HOAs. During the years ended December 31, 2019, 2018 and 2017, Bluegreen made subsidy payments related to such subsidies of \$24.9 million, \$12.6 million, and \$12.6 million, respectively, which are included in cost of other fee-based services in the Company’s consolidated statements of operations. As of December 31, 2019 and 2018, Bluegreen had no accrued liabilities for such subsidies.

In December 2019, Bluegreen’s President and Chief Executive Officer resigned. In connection with his resignation, Bluegreen agreed to make payments to him totaling \$3.5 million, over a period of 18 months, all of which remained payable as of December 31, 2019. Additionally, during 2019, Bluegreen entered into certain agreements with executives related to their separation from Bluegreen or a change in position. Pursuant to the terms of these agreements, Bluegreen agreed to make payments totaling \$2.5 million through November 2020. As of December 31, 2019, \$2.3 million remained payable under these agreements.

BBX Capital guarantees certain obligations of its wholly-owned subsidiaries and unconsolidated real estate joint ventures, including the following:

- BBX Capital is a guarantor of 50% of the outstanding balance of a third party loan to the Sunrise and Bayview Partners, LLC real estate joint venture, which had an outstanding balance of \$5.0 million as of December 31, 2019.
- BBX Capital is a guarantor on certain notes payable by its wholly-owned subsidiaries. See Note 13 for additional information regarding these obligations.

## 17. Stock Incentive Plans

### *Restricted Stock and Stock Options Plans*

BBX Capital maintains the BBX Capital Corporation Amended and Restated 2014 Incentive Plan, as previously amended (the “2014 Plan”), which allows for the issuance of restricted stock awards of the Company’s Class A Common Stock and Class B Common Stock, the grant of options to purchase shares of the Company’s Class A Common Stock and Class B Common Stock, and the grant of performance-based cash awards. BBX Capital also previously maintained the BBX Capital 2005 Restricted Stock and Option Plan and the BBX Capital 2014 Stock Incentive Plan, which BBX Capital assumed from BCC in December 2016. The BBX Capital 2005 Restricted Stock and Option Plan was terminated during 2018 when the last option previously granted under the plan was exercised, and the BBX Capital 2014 Stock Incentive Plan was terminated during 2019 when the final stock-based award previously granted under the plan vested.

The 2014 Plan permits the issuance of awards for up to 3,300,000 shares of the Company’s Class A Common Stock and up to 10,700,000 shares of the Company’s Class B Common Stock. Awards for up to 2,817,776 shares of Class A Common Stock and 0 shares of Class B Common Stock remained available for grant under the 2014 Plan as of December 31, 2019; however, as described below, awards of 2,442,503 restricted shares of the Company’s Class A Common Stock were granted to the Company’s executive officers under the 2014 Plan in January 2020.

Vesting of awards granted under the 2014 Plan is established by the Compensation Committee of BBX Capital’s board of directors in connection with each grant of restricted stock awards or stock options. The maximum term of incentive and non-qualifying stock options issuable under the 2014 Plan is ten years. There were no stock options issued or outstanding under the 2014 Plan as of December 31, 2019.

Compensation cost for restricted stock awards and stock options is based on the fair value of the award on the measurement date, which is generally the grant date. The fair value of restricted stock awards is generally based on the market price of the Company’s common stock on the grant date, while the fair value of the Company’s stock options is estimated using the Black-Scholes option-pricing model. For awards that are subject only to service conditions, the Company recognizes compensation costs on a straight-line basis over the requisite service period of the awards, and the impact of forfeitures are recognized when they occur.

### *Restricted Stock Activity*

The table below sets forth information regarding the Company’s unvested restricted stock award activity for the year ended December 31, 2019:

|  | <b>Unvested<br/>Restricted<br/>Stock</b> | <b>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</b> |
|--|--|---|
| <b>Unvested balance outstanding, beginning of period</b> | 3,186,546                                | \$ 5.32   |
| Granted  | 1,923,975                                | 6.12  |
| Vested   | (2,468,115)                              | 4.65  |
| Forfeited  | —  | —   |
| <b>Unvested balance outstanding, end of period</b>       | <b>2,642,406</b>                         | <b>\$ 6.53</b>  |
| <b>Available for grant at December 31, 2019</b>          | <b>2,817,776</b>                         |   |

The Company issued restricted stock awards to certain officers during the years ended December 31, 2019 and 2018, while there were no restricted stock awards issued during the year ended December 31, 2017. The table below sets forth information regarding the restricted stock awards granted during the years ended December 31, 2019 and 2018:



| Grant Date | Award Type           | Number of<br>Shares Underlying<br>Awards Granted | Per Share                                    | Requisite<br>Service Period (1) |
|------------|----------------------|--|--|---------------------------------|
|            |                      |  | Weighted Average<br>Grant Date<br>Fair Value |                                 |
| 1/9/2018   | Class B Common Stock | 1,487,051  | 8.7  | 4 years                         |
| 1/8/2019   | Class B Common Stock | 1,923,975  | 6.12   | 4 years                         |

(1) The awards vest ratably in annual installments over the requisite service period.

In addition to the above awards, on January 21, 2020, the Compensation Committee of BBX Capital's board of directors granted awards of 2,442,503 restricted shares of BBX Capital's Class A Common Stock to the Company's executive officers under the 2014 Plan. The aggregate grant date fair value of the January 2020 awards was \$10.2 million, and the shares vest ratably in annual installments of approximately 611,000 shares over four periods beginning on October 1, 2020.

In October 2019, award recipients surrendered a total of 222,848 shares of Class A Common Stock and 748,357 shares of Class B Common Stock to the Company to satisfy the \$4.5 million tax withholding obligation associated with the vesting of 2,468,115 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, 2019, 2018, and 2017 was \$11.5 million, \$24.0 million and \$45.2 million, respectively, based on the fair value of BBX Capital's common stock on the applicable vesting dates.

The Company recognized restricted stock compensation expense related to BBX Capital restricted stock awards of approximately \$11.4 million, \$12.9 million, and \$12.3 million during the years ended December 31, 2019, 2018, and 2017, respectively, and recognized tax benefits of \$0.4 million during the year ended December 31, 2017. There were no tax benefits recognized on restricted stock compensation expense for these awards during the years ended December 31, 2019 and 2018.

As of December 31, 2019, the total unrecognized compensation cost related to the Company's unvested restricted stock awards was approximately \$15.2 million. The cost is expected to be recognized over a weighted-average period of approximately 1.22 years.

#### **Stock Option Activity**

There were no options granted to employees or non-employee directors during the three-year period ended December 31, 2019.

During the years ended December 31, 2018 and 2017, the Company received net proceeds of approximately \$245,000 and \$63,000, respectively, upon the exercise of stock options, and the total intrinsic value of exercised options during such periods was \$6,000 and \$881,000, respectively. There were no stock options issued or outstanding during the year ended December 31, 2019.

### **18. Employee Benefit Plans and Incentive Compensation Program**

#### **Defined Contribution 401(k) Plan**

BBX Capital and its subsidiaries sponsor four Employee Retirement Plans under Internal Revenue Code Section 401(k). Although there are variations in the eligibility requirements under such plans, employees who have completed 90 days of service and have reached the age of 21 are generally eligible to participate in the Company's 401(k) plans. For the year ending December 31, 2019, an eligible employee under the plan was entitled to contribute up to \$19,000, while an eligible employee over 50 years of age was entitled to contribute up to \$25,000. During the years ended December 31, 2019, 2018, and 2017, the Company generally matched 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions, and the match amounts generally vested immediately. Further, Bluegreen may make additional discretionary matching contributions to its plan not to exceed 4% of each participant's compensation. For the years ended December 31, 2019, 2018, and 2017, the Company recorded expense for contributions to the 401(k) plans totaling approximately \$6.2 million, \$5.6 million, and \$5.7 million, respectively.

### **19. Common Stock and Redeemable 5% Cumulative Preferred Stock**

#### **Common Stock**

BBX Capital'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 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 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, while 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 into one share of Class A Common Stock at any time at the option of the holder. The percentage of total common equity represented by Class A and Class B common stock was 8% and 17%, respectively, at December 31, 2019.

#### *Share Repurchase Program*

In September 2009, BBX Capital's board of directors approved a share repurchase program which authorized the repurchase of up to 20,000,000 shares of BBX Capital's Class A and Class B Common Stock at an aggregate cost of no more than \$10.0 million. Under this program, BBX Capital repurchased 1.0 million shares of its Class A Common Stock for approximately \$6.2 million during April 2017.

In June 2017, BBX Capital's 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 BBX Capital's Class A Common Stock and Class B Common Stock at an aggregate cost of up to \$35.0 million. During the years ended December 31, 2019, 2018 and 2017, BBX Capital repurchased 3,228,890, 1,200,000 and 321,593 shares, respectively, of its Class A Common Stock for approximately \$15.4 million, \$7.6 million and \$2.4 million, respectively. As of December 31, 2019, 249,517 shares of the Company's Class A or Class B Common Stock remain available to be repurchased under the June 2017 share repurchase program.

#### *Cash Tender Offer*

In April 2018, BBX Capital completed a cash tender offer pursuant to which it purchased and retired 6,486,486 shares of its Class A Common Stock at a purchase price of \$9.25 per share for an aggregate purchase price of approximately \$60.1 million, inclusive of acquisition costs. As of April 19, 2018, the shares purchased in the tender offer represented approximately 7.6% of the total number of outstanding shares of BBX Capital's Class A Common Stock and 6.3% of BBX Capital's total issued and outstanding equity (which includes the issued and outstanding shares of BBX Capital's Class B Common Stock).

#### ***Redeemable 5% Cumulative Preferred Stock***

BBX Capital's shares of mandatorily redeemable 5% Cumulative Preferred Stock were redeemable at its option at a redemption price of \$1,000 per share and were classified as a liability in the Company's consolidated statements of financial condition while such shares were outstanding due to the mandatory redemption feature.

In December 2013, the Company made a \$5.0 million loan to the holders of the 5% Cumulative Preferred Stock and in March 2018 the Company redeemed 5,000 shares of the 5% Cumulative Preferred Stock in exchange for the cancellation of the \$5.0 million loan to the holders of the 5% Cumulative Preferred Stock.

In December 2019, the Company redeemed the remaining 10,000 shares of the 5% Cumulative Preferred Stock at their stated value of \$10.0 million.

For the years ended December 31, 2019, 2018, and 2017, the Company recorded interest expense related to the 5% Cumulative Preferred Stock of \$1.0 million, \$1.1 million, and \$1.2 million, respectively, in its consolidated statements of operations and comprehensive income.

## **20. Noncontrolling Interests and Redeemable Noncontrolling Interest**

Noncontrolling interests in the Company's consolidated subsidiaries consisted of the following (in thousands):

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2019          | 2018          |
|  | \$            |               |
| Bluegreen <sup>(1)</sup>                       | 39,740        | 41,478        |
| Bluegreen / Big Cedar Vacations <sup>(2)</sup> | 49,534        | 45,611        |
| Joint ventures and other                       | 1,001         | 899           |
|  | \$            |               |
| <b>Total noncontrolling interests</b>          | <b>90,275</b> | <b>87,988</b> |

The redeemable noncontrolling interest included in the Company's consolidated statements of financial condition as of December 31, 2019 and 2018 was \$4.0 million and \$2.6 million, respectively, which is comprised of the 9.6% of IT'SUGAR's Class B Units that are held by a noncontrolling interest and may be redeemed for cash at the holder's option upon a contingent event that is outside of the Company's control.

Income (loss) attributable to noncontrolling interests, including redeemable noncontrolling interests, consisted of the following (in thousands):

|  | <b>For the Years Ended December 31,</b> |               |               |
|--|---|---------------|---------------|
|  | <b>2019</b>                             | <b>2018</b>   | <b>2017</b>   |
| Bluegreen <sup>(1)</sup>                                   | \$ 3,363                                | 8,566         | 5,639         |
| Bluegreen / Big Cedar Vacations <sup>(2)</sup>             | 11,273                                  | 12,390        | 12,760        |
| Joint ventures and other                                   | (224)                                   | (265)         | (21)          |
| <b>Net income attributable to noncontrolling interests</b> | <b>\$ 14,412</b>                        | <b>20,691</b> | <b>18,378</b> |

(1) As a result of Bluegreen's IPO during the fourth quarter of 2017 and subsequent share repurchases in 2018 and 2019, the Company owns 90.5% of Bluegreen. Bluegreen was a wholly-owned subsidiary of the Company prior to the Bluegreen IPO.

(2) Bluegreen has a joint venture arrangement pursuant to which it owns 51% of Bluegreen/Big Cedar Vacations.

## 21. Earnings Per Common Share

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

|  | <b>For the Years Ended December 31,</b> |               |                |
|--|---|---------------|----------------|
|  | <b>2019</b>                             | <b>2018</b>   | <b>2017</b>    |
| <b>Basic earnings per common share</b>                       |   |               |                |
| <b>Numerator:</b>  |   |               |                |
| Net income   | \$ 32,103                               | 55,793        | 102,303        |
| Less: Net income attributable to noncontrolling interests    | 14,412                                  | 20,691        | 18,378         |
| Net income available to shareholders                         | <u>\$ 17,691</u>                        | <u>35,102</u> | <u>83,925</u>  |
| <b>Denominator:</b>  |   |               |                |
| Basic - weighted average number of common share outstanding  | 92,628                                  | 95,298        | 98,745         |
| <b>Basic earnings per common share</b>                       | <u>\$ 0.19</u>                          | <u>0.37</u>   | <u>0.85</u>    |
| <b>Diluted earnings per common share</b>                     |   |               |                |
| <b>Numerator:</b>  |   |               |                |
| Net income available to shareholders                         | \$ 17,691                               | 35,102        | 83,925         |
| <b>Denominator:</b>  |   |               |                |
| Basic weighted average number of common shares outstanding   | 92,628                                  | 95,298        | 98,745         |
| Effect of dilutive restricted stock awards                   | 1,026                                   | 2,562         | 5,171          |
| Diluted weighted average number of common shares outstanding | <u>93,654</u>                           | <u>97,860</u> | <u>103,916</u> |
| <b>Diluted earnings per common share</b>                     | <u>\$ 0.19</u>                          | <u>0.36</u>   | <u>0.81</u>    |

During the year ended December 31, 2019, approximately 2,506,876 shares of unvested restricted stock awards were not included in the computation of diluted earnings per share because such awards were assumed to be fully repurchased under the treasury stock method based on the unrecognized compensation cost associated with such awards. During the years ended December 31, 2018 and 2017, there were no unvested restricted stock awards that were excluded from the computation of diluted earnings per share for such periods. During the year ended December 31, 2017, options to acquire 27,346 shares of Class A Common Stock 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 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 and includes 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 and is often referred to as current replacement cost.

The accounting guidance for fair value measurements 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 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

There were no material assets or liabilities measured at fair value on a recurring or nonrecurring basis in the Company's consolidated financial statements as of December 31, 2019 and 2018.

#### **Financial Disclosures about Fair Value of Financial Instruments**

The tables below set forth information related to the Company's consolidated financial instruments (in thousands):

|                                    | Carrying Amount As of December 31, 2019 | Fair Value As of December 31, 2019 | 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) |
| <b>Financial assets:</b>           |   |                                    |  |   |   |
| Cash and cash equivalents          | \$ 356,604                              | 356,604                            | 356,604  | —   | —   |
| Restricted cash                    | 50,266                                  | 50,266                             | 50,266   | —   | —   |
| Notes receivable, net              | 449,162                                 | 587,000                            | —  | —   | 587,000                                   |
| <b>Financial liabilities:</b>      |   |                                    |  |   |   |
| Receivable-backed notes payable    | \$ 422,815                              | 440,900                            | —  | —   | 440,900                                   |
| Notes payable and other borrowings | 188,731                                 | 194,069                            | —  | —   | 194,069                                   |
| Junior subordinated debentures     | 137,254                                 | 146,000                            | —  | —   | 146,000                                   |

|  | Carrying Amount As of December 31, 2018 | Fair Value As of December 31, 2018 | 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) |
| <b>Financial assets:</b>                 |   |                                    |  |   |   |
| Cash and cash equivalents                | \$ 366,305                              | 366,305                            | 366,305  | —   | —   |
| Restricted cash                          | 54,792                                  | 54,792                             | 54,792   | —   | —   |
| Notes receivable, net                    | 439,167                                 | 537,000                            | —  | —   | 537,000                                   |
| <b>Financial liabilities:</b>            |   |                                    |  |   |   |
| Receivable-backed notes payable          | \$ 458,931                              | 462,400                            | —  | —   | 462,400                                   |
| Notes payable and other borrowings       | 200,887                                 | 203,547                            | —  | —   | 203,547                                   |
| Junior subordinated debentures           | 136,425                                 | 132,400                            | —  | —   | 132,400                                   |
| Redeemable 5% cumulative preferred stock | 9,472                                   | 9,538                              | —  | —   | 9,538                                     |

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 values of these financial instruments have 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 in which 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 values of Bluegreen's notes receivable were measured using Level 3 inputs and are based on estimated future cash flows considering contractual payments and estimates of prepayments and defaults, discounted at a market rate.

The amounts reported in the consolidated statements of financial condition relating to Bluegreen's notes payable and other borrowings, as well as Bluegreen's receivable-backed notes payable, approximate fair value for indebtedness that provides for variable interest rates. The fair values of Bluegreen's fixed rate, receivable-backed notes payable were measured 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 values of the Company's Community Development Bonds, which are included in notes payable and other borrowings above, were measured using the market approach with Level 3 inputs obtained based on estimated market prices of similar financial instruments.

The fair values of the Company's notes payable and other borrowings (other than Bluegreen's notes payable and other borrowings and Community Development Bonds above) were measured using the income approach with Level 3 inputs by discounting the forecasted cash outflows associated with the debt using estimated market discount rates.

The fair values of the Company's junior subordinated debentures were measured using the income approach with Level 3 by discounting the contractual cash outflows associated with the debt using estimated market discount rates or using the market approach based on market price quotes from the over-the-counter bond market.

The fair value of the Company's 5% Cumulative Preferred Stock, which is subject to mandatory redemption, was measured using the income approach with Level 3 inputs by discounting the forecasted cash outflows using estimated market discount rates.

### **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, the Company's Vice Chairman. 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 78% of the Company's total voting power. Mr. Alan Levan and Mr. Abdo also serve as Chairman and Vice Chairman, respectively, of Bluegreen's board of directors, and effective January 1, 2020, Mr. Alan Levan also became Bluegreen's President and Chief Executive Officer. Jarett S. Levan, the Company's President and son of Alan Levan, and Seth M. Wise, the Company's Executive Vice President, also serve as directors of the Company and Bluegreen.

Woodbridge is a wholly-owned subsidiary of BBX Capital and owns 90.5% of Bluegreen as of December 31, 2019.

During the years ended December 31, 2019, 2018, and 2017, Bluegreen paid or reimbursed the Company \$1.7 million, \$1.6 million, and \$1.5 million, respectively, for management advisory, risk management, administrative, and other services. In addition, during the years ended December 31, 2019, 2018, and 2017, the Company received dividends from Bluegreen of \$43.0 million, \$40.4 million, and \$40.0 million, respectively. These amounts are eliminated in consolidation in the Company's consolidated financial statements.

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, and all outstanding amounts under the loan are 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, 2019, 2018, and 2017, BBX Capital paid interest expense on the loan of \$4.8 million, \$4.8 million, and \$6.4 million, respectively. The interest expense is eliminated in consolidation in the Company's consolidated financial statements.

In May 2015, the Company, BCC, Woodbridge, Bluegreen, Renin, 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. Under the agreement, the parties calculate their respective income tax liabilities and attributes as if each of them were a separate filer. If any tax attributes of one party to the agreement are used by another party to the agreement to such other party's tax liability, the party providing the benefit will receive an amount for the tax benefits realized. During the years ended December 31, 2019, 2018, and 2017, Bluegreen paid the Company \$13.0 million, \$23.1 million, and \$39.3 million,

respectively, pursuant to this agreement. During the year ended December 31, 2019, BBX Capital received \$1.0 million from Renin pursuant to the agreement. These amounts are eliminated in consolidation in the Company's consolidated financial statements.

During each of the years ended December 31, 2019, 2018 and 2017, 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 the Company's CODM, and 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.

During the fourth quarter of 2019, the Company reorganized its operating businesses in the confectionery industry under BBX Sweet Holdings, including the centralization of various management and back office activities. In connection with these organizational changes, the Company's CODM determined that he would manage the operations of the Company's investments in the confectionery industry, including making decisions related to the allocation of resources to such investments, based on the consolidated activities and results of BBX Sweet Holdings, and the Company's internal management reports were modified to present the consolidated performance of BBX Sweet Holdings to the Company's CODM. As a result, 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, BBX Sweet Holdings and Renin. The Company's segment information for the years ended December 31, 2018 and 2017 has been updated retrospectively to conform to the current presentation.

See Note 1 for a description of the Company's reportable segments.

In the segment information for the years ended December 31, 2019, 2018 and 2017, amounts set forth in the column entitled "Other" include the Company's investments in various operating businesses, including its pizza restaurant operations as a franchisee of MOD Pizza and a controlling financial interest in a restaurant acquired in connection with a loan receivable default. As described in Note 1, the Company exited its pizza restaurant operations as a franchisee of MOD Pizza in September 2019. The amounts set forth in the column entitled "Reconciling Items and Eliminations" include unallocated corporate general and administrative expenses, interest expense associated with Woodbridge's junior subordinated debentures and BBX Capital's \$50.0 million revolving line of credit, and elimination entries.

The Company evaluates segment performance based on segment income before income taxes.

The table below sets forth the Company's segment information as of and for the year ended December 31, 2019 (in thousands):

|   | Bluegreen           | BBX Capital<br>Real Estate | BBX Sweet<br>Holdings | Renin         | Other          | Reconciling Items<br>and Eliminations | Segment<br>Total |
|---|---------------------|----------------------------|-----------------------|---------------|----------------|---------------------------------------|------------------|
| <b>Revenues:</b>  |                     |                            |                       |               |                |                                       |                  |
| Sales of VOIs   | \$ 255,375          | —                          | —                     | —             | —              | —                                     | 255,375          |
| Fee-based sales commissions   | 207,832             | —                          | —                     | —             | —              | —                                     | 207,832          |
| Other fee-based services  | 125,244             | —                          | —                     | —             | —              | —                                     | 125,244          |
| Cost reimbursements   | 63,889              | —                          | —                     | —             | —              | —                                     | 63,889           |
| Trade sales   | —                   | —                          | 105,406               | 67,537        | 13,420         | (26)                                  | 186,337          |
| Sales of real estate inventory                                      | —                   | 5,049                      | —                     | —             | —              | —                                     | 5,049            |
| Interest income   | 87,902              | 750                        | 56                    | —             | 104            | (2,486)                               | 86,326           |
| Net gains on sales of real estate assets                            | —                   | 13,616                     | —                     | —             | —              | —                                     | 13,616           |
| Other revenue   | —                   | 1,619                      | 324                   | —             | 2,233          | (973)                                 | 3,203            |
| <b>Total revenues</b>   | <b>740,242</b>      | <b>21,034</b>              | <b>105,786</b>        | <b>67,537</b> | <b>15,757</b>  | <b>(3,485)</b>                        | <b>946,871</b>   |
| <b>Costs and expenses:</b>  |                     |                            |                       |               |                |                                       |                  |
| Cost of VOIs sold   | 21,845              | —                          | —                     | —             | —              | —                                     | 21,845           |
| Cost of other fee-based services                                    | 86,940              | —                          | —                     | —             | —              | —                                     | 86,940           |
| Cost reimbursements   | 63,889              | —                          | —                     | —             | —              | —                                     | 63,889           |
| Cost of trade sales   | —                   | —                          | 67,703                | 54,243        | 5,800          | (26)                                  | 127,720          |
| Cost of real estate inventory sold                                  | —                   | 2,643                      | —                     | —             | —              | —                                     | 2,643            |
| Interest expense  | 39,538              | —                          | 196                   | 498           | 27             | 5,523                                 | 45,782           |
| Recoveries from loan losses, net                                    | —                   | (5,428)                    | —                     | —             | —              | —                                     | (5,428)          |
| Impairment losses   | —                   | 47                         | 142                   | —             | 6,749          | —                                     | 6,938            |
| Selling, general and administrative expenses                        | 468,856             | 9,144                      | 43,203                | 11,066        | 12,282         | 41,135                                | 585,686          |
| <b>Total costs and expenses</b>                                     | <b>681,068</b>      | <b>6,406</b>               | <b>111,244</b>        | <b>65,807</b> | <b>24,858</b>  | <b>46,632</b>                         | <b>936,015</b>   |
| Equity in net earnings of unconsolidated real estate joint ventures | —                   | 37,898                     | —                     | —             | —              | —                                     | 37,898           |
| Other (expense) income  | (910)               | 170                        | 336                   | 153           | 15             | 318                                   | 82               |
| Foreign exchange loss   | —                   | —                          | —                     | (75)          | —              | —                                     | (75)             |
| <b>Income (loss) before income taxes</b>                            | <b>\$ 58,264</b>    | <b>52,696</b>              | <b>(5,122)</b>        | <b>1,808</b>  | <b>(9,086)</b> | <b>(49,799)</b>                       | <b>48,761</b>    |
| <b>Total assets</b>   | <b>\$ 1,360,018</b> | <b>145,891</b>             | <b>167,284</b>        | <b>32,320</b> | <b>10,768</b>  | <b>74,690</b>                         | <b>1,790,971</b> |
| Expenditures for property and equipment                             | \$ 24,475           | 4                          | 9,441                 | 517           | 1,129          | 22                                    | 35,588           |
| Depreciation and amortization                                       | \$ 14,114           | 93                         | 5,565                 | 1,202         | 770            | 421                                   | 22,165           |
| Debt accretion and amortization                                     | \$ 4,878            | 125                        | 226                   | 27            | —              | 299                                   | 5,555            |
| Cash and cash equivalents   | \$ 190,009          | 13,776                     | 6,314                 | —             | 668            | 145,837                               | 356,604          |
| Equity method investments   | \$ —                | 57,330                     | —                     | —             | —              | —                                     | 57,330           |
| Goodwill  | \$ —                | —                          | 35,521                | —             | 1,727          | —                                     | 37,248           |
| Receivable-backed notes payable                                     | \$ 422,815          | —                          | —                     | —             | —              | —                                     | 422,815          |
| Notes payable and other borrowings                                  | \$ 146,160          | 31,877                     | 3,810                 | 6,825         | 224            | (165)                                 | 188,731          |
| Junior subordinated debentures                                      | \$ 72,081           | —                          | —                     | —             | —              | 65,173                                | 137,254          |

The table below sets forth the Company's segment information as of and for the year ended December 31, 2018 (in thousands):

|   | <b>Bluegreen</b>    | <b>BBX Capital<br/>Real Estate</b> | <b>BBX Sweet<br/>Holdings</b> | <b>Renin</b>  | <b>Other</b>   | <b>Reconciling Items<br/>and Eliminations</b> | <b>Segment Total</b> |
|---|---------------------|------------------------------------|-------------------------------|---------------|----------------|---|----------------------|
| <b>Revenues:</b>  |                     |                                    |                               |               |                |   |                      |
| Sales of VOIs   | \$ 254,225          | —                                  | —                             | —             | —              | —   | 254,225              |
| Fee-based sales commissions   | 216,422             | —                                  | —                             | —             | —              | —   | 216,422              |
| Other fee-based services  | 118,024             | —                                  | —                             | —             | —              | —   | 118,024              |
| Cost reimbursements   | 62,534              | —                                  | —                             | —             | —              | —   | 62,534               |
| Trade sales   | —                   | —                                  | 101,187                       | 68,417        | 9,903          | (21)  | 179,486              |
| Sales of real estate inventory                                      | —                   | 21,771                             | —                             | —             | —              | —   | 21,771               |
| Interest income   | 85,914              | 2,277                              | 61                            | —             | 87             | (2,838)                                       | 85,501               |
| Net gains on sales of real estate assets                            | —                   | 4,563                              | —                             | —             | —              | —   | 4,563                |
| Other revenue   | —                   | 2,541                              | 10                            | —             | 1,869          | (1,048)                                       | 3,372                |
| <b>Total revenues</b>   | <b>737,119</b>      | <b>31,152</b>                      | <b>101,258</b>                | <b>68,417</b> | <b>11,859</b>  | <b>(3,907)</b>                                | <b>945,898</b>       |
| <b>Costs and expenses:</b>  |                     |                                    |                               |               |                |   |                      |
| Cost of VOIs sold   | 23,813              | —                                  | —                             | —             | —              | —   | 23,813               |
| Cost of other fee-based services                                    | 72,968              | —                                  | —                             | —             | —              | —   | 72,968               |
| Cost reimbursements   | 62,534              | —                                  | —                             | —             | —              | —   | 62,534               |
| Cost of trade sales   | —                   | —                                  | 65,829                        | 55,483        | 4,349          | (21)  | 125,640              |
| Cost of real estate inventory sold                                  | —                   | 14,116                             | —                             | —             | —              | —   | 14,116               |
| Interest expense  | 34,709              | —                                  | 308                           | 638           | 7              | 6,413   | 42,075               |
| Recoveries from loan losses, net                                    | —                   | (8,653)                            | —                             | —             | —              | —   | (8,653)              |
| Impairment losses   | —                   | 571                                | 4,147                         | —             | —              | —   | 4,718                |
| Reimbursements of litigation costs and penalty                      | —                   | —                                  | —                             | —             | —              | (600)   | (600)                |
| Selling, general and administrative expenses                        | 415,403             | 9,210                              | 46,130                        | 9,903         | 11,680         | 45,486  | 537,812              |
| <b>Total costs and expenses</b>                                     | <b>609,427</b>      | <b>15,244</b>                      | <b>116,414</b>                | <b>66,024</b> | <b>16,036</b>  | <b>51,278</b>                                 | <b>874,423</b>       |
| Equity in net earnings of unconsolidated real estate joint ventures | —                   | 14,194                             | —                             | —             | —              | —   | 14,194               |
| Other income (expense)  | 1,201               | 112                                | 170                           | —             | (1)            | 213   | 1,695                |
| Foreign exchange gain   | —                   | —                                  | —                             | 68            | —              | —   | 68                   |
| <b>Income (loss) before income taxes</b>                            | <b>\$ 128,893</b>   | <b>30,214</b>                      | <b>(14,986)</b>               | <b>2,461</b>  | <b>(4,178)</b> | <b>(54,972)</b>                               | <b>87,432</b>        |
| <b>Total assets</b>   | <b>\$ 1,346,467</b> | <b>165,109</b>                     | <b>83,618</b>                 | <b>32,354</b> | <b>20,187</b>  | <b>57,285</b>                                 | <b>1,705,020</b>     |
| Expenditures for property and equipment                             | \$ 32,539           | 318                                | 6,254                         | 796           | 5,428          | 215   | 45,550               |
| Depreciation and amortization                                       | \$ 12,392           | 374                                | 5,897                         | 1,159         | 671            | 501   | 20,994               |
| Debt accretion and amortization                                     | \$ 4,212            | 3                                  | 201                           | 17            | —              | 312   | 4,745                |
| Cash and cash equivalents   | \$ 219,408          | 16,103                             | 5,328                         | —             | 7,681          | 117,785                                       | 366,305              |
| Equity method investments   | \$ —                | 64,738                             | —                             | —             | —              | —   | 64,738               |
| Goodwill  | \$ —                | —                                  | 35,521                        | —             | 1,727          | —   | 37,248               |
| Receivable-backed notes payable                                     | \$ 458,931          | —                                  | —                             | —             | —              | —   | 458,931              |
| Notes payable and other borrowings                                  | \$ 133,391          | 27,333                             | 2,046                         | 8,117         | —              | 30,000  | 200,887              |
| Junior subordinated debentures                                      | \$ 71,323           | —                                  | —                             | —             | —              | 65,102  | 136,425              |



The table below sets forth the Company's segment information as of and for the year ended December 31, 2017 (in thousands):

|   | Bluegreen           | BBX Capital<br>Real Estate | BBX Sweet<br>Holdings | Renin         | Other          | Reconciling<br>Items and<br>Eliminations | Segment<br>Total |
|---|---------------------|----------------------------|-----------------------|---------------|----------------|--|------------------|
| <b>Revenues:</b>  |                     |                            |                       |               |                |  |                  |
| Sales of VOIs   | \$ 242,017          | —                          | —                     | —             | —              | —  | 242,017          |
| Fee-based sales commissions   | 229,389             | —                          | —                     | —             | —              | —  | 229,389          |
| Other fee-based services  | 111,819             | —                          | —                     | —             | —              | —  | 111,819          |
| Cost reimbursements   | 52,639              | —                          | —                     | —             | —              | —  | 52,639           |
| Trade sales   | —                   | —                          | 72,899                | 68,935        | 251            | —  | 142,085          |
| Interest income   | 86,876              | 2,225                      | 40                    | —             | 36             | (5,469)                                  | 83,708           |
| Net gains on sales of real estate assets                                  | —                   | 1,451                      | —                     | —             | —              | —  | 1,451            |
| Other revenue   | —                   | 4,997                      | 7                     | —             | 1,256          | (599)                                    | 5,661            |
| <b>Total revenues</b>   | <b>722,740</b>      | <b>8,673</b>               | <b>72,946</b>         | <b>68,935</b> | <b>1,543</b>   | <b>(6,068)</b>                           | <b>868,769</b>   |
| <b>Costs and expenses:</b>  |                     |                            |                       |               |                |  |                  |
| Cost of VOIs sold   | 17,679              | —                          | —                     | —             | —              | —  | 17,679           |
| Cost of other fee-based services  | 64,560              | —                          | —                     | —             | —              | —  | 64,560           |
| Cost reimbursements   | 52,639              | —                          | —                     | —             | —              | —  | 52,639           |
| Cost of trade sales   | —                   | —                          | 51,975                | 54,941        | 419            | —  | 107,335          |
| Interest expense  | 29,977              | —                          | 335                   | 509           | —              | 4,384                                    | 35,205           |
| Recoveries from loan losses, net  | —                   | (7,546)                    | —                     | —             | —              | —  | (7,546)          |
| Impairment losses   | —                   | 1,696                      | 5,786                 | —             | —              | —  | 7,482            |
| Net gains on cancellation of junior<br>subordinated debentures            | —                   | —                          | —                     | —             | —              | (6,929)                                  | (6,929)          |
| Reimbursements of litigation costs and<br>penalty                         | —                   | —                          | —                     | —             | —              | (13,169)                                 | (13,169)         |
| Selling, general and administrative<br>expenses                           | 421,199             | 11,127                     | 31,703                | 11,112        | 4,065          | 52,855                                   | 532,061          |
| <b>Total costs and expenses</b>   | <b>586,054</b>      | <b>5,277</b>               | <b>89,799</b>         | <b>66,562</b> | <b>4,484</b>   | <b>37,141</b>                            | <b>789,317</b>   |
| Equity in net earnings of<br>unconsolidated real estate joint<br>ventures | —                   | 12,541                     | —                     | —             | —              | —  | 12,541           |
| Other income  | 312                 | 148                        | 72                    | —             | 269            | —  | 801              |
| Foreign exchange loss   | —                   | —                          | —                     | (193)         | —              | —  | (193)            |
| <b>Income (loss) before income taxes</b>                                  | <b>\$ 136,998</b>   | <b>16,085</b>              | <b>(16,781)</b>       | <b>2,180</b>  | <b>(2,672)</b> | <b>(43,209)</b>                          | <b>92,601</b>    |
| <b>Total assets</b>   | <b>\$ 1,231,481</b> | <b>166,548</b>             | <b>92,587</b>         | <b>36,189</b> | <b>11,940</b>  | <b>66,936</b>                            | <b>1,605,681</b> |
| Expenditures for property and<br>equipment                                | \$ 14,115           | 308                        | 2,246                 | 2,786         | 2,518          | 72                                       | 22,045           |
| Depreciation and amortization   | \$ 9,632            | 581                        | 4,080                 | 1,000         | 112            | 644                                      | 16,049           |
| Debt accretion and amortization   | \$ 4,478            | —                          | 55                    | —             | —              | 149                                      | 4,682            |
| Cash and cash equivalents   | \$ 197,337          | 8,636                      | 10,160                | 863           | 7,099          | 138,431                                  | 362,526          |
| Equity method investments   | \$ —                | 51,234                     | —                     | —             | —              | —  | 51,234           |
| Goodwill  | \$ —                | —                          | 39,482                | —             | —              | —  | 39,482           |
| Receivable-backed notes payable   | \$ 421,118          | —                          | —                     | —             | —              | —  | 421,118          |
| Notes payable and other borrowings  | \$ 100,194          | 24,215                     | 6,815                 | 12,890        | —              | —  | 144,114          |
| Junior subordinated debentures  | \$ 70,384           | —                          | —                     | —             | —              | 65,030                                   | 135,414          |

## 25. Selected Quarterly Results (Unaudited)

The following tables summarize the results of operations for each fiscal quarter during the years ended December 31, 2019 and 2018 (in thousands except for per share data):

| 2019   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total    |
|--|---------------|----------------|---------------|----------------|----------|
|  | \$            |                |               |                |          |
| Revenues <sup>(1)</sup>  | 217,352       | 245,693        | 249,613       | 234,213        | 946,871  |
| Costs and expenses <sup>(1)</sup>  | 211,491       | 265,674        | 239,237       | 219,613        | 936,015  |
|  | 5,861         | (19,981)       | 10,376        | 14,600         | 10,856   |
| Equity in net (loss) earnings of unconsolidated real estate joint ventures         | (17)          | 8,759          | 28,534        | 622            | 37,898   |
| Other income (expense)   | 513           | 2,289          | 2,272         | (4,992)        | 82       |
| Foreign exchange gains (losses)  | 5             | (29)           | —             | (51)           | (75)     |
| <b>Income (loss) before income taxes</b>   | 6,362         | (8,962)        | 41,182        | 10,179         | 48,761   |
| (Provision) benefit for income taxes   | (1,724)       | 1,338          | (14,682)      | (1,590)        | (16,658) |
| <b>Net income (loss)</b>   | 4,638         | (7,624)        | 26,500        | 8,589          | 32,103   |
| Less: Net income attributable to noncontrolling interests                          | 3,139         | 4,024          | 4,112         | 3,137          | 14,412   |
| <b>Net income (loss) attributable to shareholders</b>                              | 1,499         | (11,648)       | 22,388        | 5,452          | 17,691   |
| Basic earnings (loss) per common share   | \$ 0.02       | (0.12)         | 0.24          | 0.06           | 0.19     |
| Diluted earnings (loss) per common share   | \$ 0.02       | (0.12)         | 0.24          | 0.06           | 0.19     |
| Basic weighted average number of common shares outstanding                         | 93,220        | 93,207         | 92,587        | 91,497         | 92,628   |
| Diluted weighted average number of common and common equivalent shares outstanding | 94,487        | 93,207         | 94,059        | 91,572         | 93,654   |

| 2018   | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total    |
|--|---------------|----------------|---------------|----------------|----------|
|  | \$            |                |               |                |          |
| Revenues   | 217,771       | 242,410        | 253,873       | 231,844        | 945,898  |
| Costs and expenses   | 197,072       | 221,607        | 236,125       | 219,619        | 874,423  |
|  | 20,699        | 20,803         | 17,748        | 12,225         | 71,475   |
| Equity in net earnings (loss) of unconsolidated real estate joint ventures         | 1,280         | (488)          | 373           | 13,029         | 14,194   |
| Other income   | 271           | 816            | 530           | 78             | 1,695    |
| Foreign exchange gains (losses)  | 52            | (37)           | 76            | (23)           | 68       |
| <b>Income before income taxes</b>  | 22,302        | 21,094         | 18,727        | 25,309         | 87,432   |
| Provision for income taxes   | (6,600)       | (8,655)        | (6,742)       | (9,642)        | (31,639) |
| <b>Net income</b>  | 15,702        | 12,439         | 11,985        | 15,667         | 55,793   |
| Less: Net income attributable to noncontrolling interests                          | 4,560         | 5,958          | 5,806         | 4,367          | 20,691   |
| <b>Net income attributable to shareholders</b>                                     | 11,142        | 6,481          | 6,179         | 11,300         | 35,102   |
| Basic earnings per common share  | \$ 0.11       | 0.07           | 0.07          | 0.12           | 0.37     |
| Diluted earnings per common share  | \$ 0.11       | 0.07           | 0.06          | 0.12           | 0.36     |
| Basic weighted average number of common shares outstanding                         | 99,652        | 94,390         | 93,193        | 94,042         | 95,298   |
| Diluted weighted average number of common and common equivalent shares outstanding | 102,628       | 97,779         | 96,576        | 95,041         | 97,860   |

(1) During the fourth quarter of 2019, the prior 2019 quarterly revenue and operating expense amounts were reclassified for consistency to conform to the fourth quarter 2019 presentation.

**26. Subsequent Events**

Subsequent events have been evaluated through the date the financial statements were available to be issued. As of such date, other than described elsewhere herein, there were no subsequent events identified that required recognition or disclosure.

## **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, 2019, 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, 2019, 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, 2019, 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, 2019.

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.

Grant Thornton LLP, our independent registered public accounting firm, has audited our internal control over financial reporting as of December 31, 2019 and has issued an attestation report on our internal control over financial reporting, which is included below.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2019, 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, 2019, 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, 2019, and our report dated March 13, 2020 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. 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.

### 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 13, 2020

### **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, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

**None**

### **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 2020 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, 2019. 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, 2019 and 2018.

Consolidated Statements of Operations and Comprehensive Income for each of the years in the three year period ended December 31, 2019.

Consolidated Statements of Changes in Equity for each of the years in the three year period ended December 31, 2019.

Consolidated Statements of Cash Flows for each of the years in the three year period ended December 31, 2019.

Notes to Consolidated Financial Statements.

2) Financial Statement Schedules

All 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:



| Exhibit Number | Description  | Reference   |
|----------------|--|---|
| 2.1            | Agreement and Plan of Merger, dated July 27, 2016, by and among the Company, BBX Merger Subsidiary LLC and BBX Capital Corporation   | <a href="#">Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on July 28, 2016</a>   |
| 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 | <a href="#">Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on October 20, 2016</a>  |
| 3.1            | Amended and Restated Articles of Incorporation, effective October 8, 1997  | <a href="#">Exhibit 3.1 of Registrant's Registration Statement on Form 8-A filed October 16, 1997</a>   |
| 3.2            | Amendment to the Amended and Restated Articles of Incorporation, effective June 18, 2002   | <a href="#">Exhibit 4 of Registrant's Current Report on Form 8-K filed June 27, 2002</a>  |
| 3.3            | Amendment to the Amended and Restated Articles of Incorporation, effective April 15, 2003  | <a href="#">Appendix B of Registrant's Definitive Proxy Statement on Schedule 14A filed April 18, 2003</a>  |
| 3.4            | Amendment to the Amended and Restated Articles of Incorporation, effective February 7, 2005  | <a href="#">Appendix A of Registrant's Definitive Information Statement on Schedule 14C filed January 18, 2005</a>  |
| 3.5            | Amendment to the Amended and Restated Articles of Incorporation, effective June 22, 2004, as amended on December 17, 2008  | <a href="#">Exhibit 3.1 of Registrant's Current Report on Form 8-K filed December 18, 2008</a>  |
| 3.6            | Amendment to the Amended and Restated Articles of Incorporation, effective May 19, 2009  | <a href="#">Appendix A of Registrant's Definitive Proxy Statement on Schedule 14A filed April 29, 2009</a>  |
| 3.7            | Amendment to the Amended and Restated Articles of Incorporation, effective September 21, 2009  | <a href="#">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</a> |
| 3.8            | Amendment to the Amended and Restated Articles of Incorporation, effective September 21, 2009  | <a href="#">Exhibit 3.8 of Registrant's Current Report on Form 8-K filed September 25, 2009</a>   |
| 3.9            | Amendment to the Amended and Restated Articles of Incorporation, effective December 19, 2013   | <a href="#">Exhibit 3.1 of Registrant's Current Report on Form 8-K filed December 23, 2013</a>  |
| 3.10           | Amendment to the Amended and Restated Articles of Incorporation, effective January 30, 2017  | <a href="#">Exhibit A of the Registrant's Definitive Information Statement on Schedule 14C filed January 9, 2017</a>  |
| 3.11           | Bylaws, as amended   | <a href="#">Exhibit 3.1 of Registrant's Current Report on Form 8-K filed February 12, 2015</a>  |
| 4.1            | Specimen Class A Common Stock Certificate  | <a href="#">Exhibit 4.1 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>   |
| 4.2            | Specimen Class B Common Stock Certificate  | <a href="#">Exhibit 4.2 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>   |
| 4.3            | Description of Registrant's Securities   | <a href="#">Filed with this Report</a>  |
| 10.1           | BFC Financial Corporation 2014 Stock Incentive Plan, as amended  | <a href="#">Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed April 24, 2015</a>  |
| 10.2           | BFC Financial Corporation 2005 Stock Incentive Plan, as amended  | <a href="#">Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed November 21, 2012</a>   |
| 10.3           | BBX Capital 2005 Restricted Stock and Option Plan, as amended  | <a href="#">Exhibit 10.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>  |
| 10.4           | BBX Capital 2014 Stock Incentive Plan, as amended  | <a href="#">Exhibit 10.4 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>  |
| 10.5           | BBX Capital 2014 Incentive Plan, as amended  | <a href="#">Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed April 21, 2017</a>  |
| 10.6           | BBX Capital 2014 Incentive Plan, as amended  | <a href="#">Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 16, 2018</a>   |
| 10.61          | BBX Capital 2014 Incentive Plan, as amended  | <a href="#">Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 15, 2019</a>   |
| 10.7           | Employment agreement between Alan B. Levan and BFC Financial Corporation   | <a href="#">Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 14, 2012</a>                                |
| 10.8           | Employment agreement between John E. Abdo and BFC Financial Corporation  | <a href="#">Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 14, 2012</a>                                |
| 10.9           | Employment agreement between Seth M. Wise and BFC Financial Corporation  | <a href="#">Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 15, 2012</a>                                |
| 10.10          | Employment agreement between Jarett S. Levan and BFC Financial Corporation   | <a href="#">Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed on November 15, 2012</a>                                |
| 10.11          | Employment agreement between Ray S. Lopez and BFC Financial Corporation  | <a href="#">Exhibit 10.1 of Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed on May 8, 2015</a>   |

|       |   |  |
|-------|---|--|
| 10.12 | Employment agreement between Alan B. Levan and BBX Capital Corporation  | <a href="#">Exhibit 10.10 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>                    |
| 10.13 | Employment agreement between John E. Abdo and BBX Capital Corporation   | <a href="#">Exhibit 10.11 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>                    |
| 10.14 | Employment agreement between Jarett S. Levan and BBX Capital Corporation  | <a href="#">Exhibit 10.12 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>                    |
| 10.15 | Employment agreement between Seth M. Wise and BBX Capital Corporation   | <a href="#">Exhibit 10.13 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>                    |
| 10.16 | Employment agreement between Ray S. Lopez and BBX Capital Corporation   | <a href="#">Exhibit 10.14 of Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 15, 2017</a>                    |
| 10.17 | Tax Sharing Agreement dated as of May 8, 2015, by and among BFC Financial Corporation, BBX Capital and Bluegreen  | <a href="#">Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed on May 8, 2015</a>                     |
| 10.18 | Loan Agreement and Promissory Note, dated April 17, 2015, between BFC Financial Corporation and Bluegreen Specialty Finance, LLC  | <a href="#">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</a> |
| 10.19 | 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="#">Exhibit 1.1 of Registrant's Current Report on Form 8-K filed with the SEC on November 21, 2017</a>   |
| 10.20 | 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="#">Exhibit 10.101 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</a>  |
| 10.21 | 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="#">Exhibit 10.102 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</a>  |
| 10.22 | 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="#">Exhibit 10.103 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</a>  |
| 10.23 | 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="#">Exhibit 10.104 of Bluegreen Corporation's Form 8-K filed with the SEC on September 14, 2012</a>  |
| 10.24 | 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 Obligor, 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="#">Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed on May 15, 2013</a>                    |
| 10.25 | BXG Receivables Note Trust 2013-A, Standard Definitions   | <a href="#">Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 2, 2013</a>   |
| 10.26 | 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="#">Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 2, 2013</a>   |
| 10.27 | 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="#">Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 2, 2013</a>   |
| 10.28 | 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="#">Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 2, 2013</a>   |
| 10.29 | 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="#">Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on October 2, 2013</a>   |
| 10.30 | Second Amended and Restated Purchase and Contribution Agreement, dated as of May 1, 2017, between Bluegreen Corporation and Bluegreen Timeshare Finance I   | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>  |
| 10.31 | Second Amended and Restated Sale Agreement, dated as of May 1, 2017, between Bluegreen Timeshare Finance I and BXG Timeshare Trust I  | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>  |

|       |  |   |
|-------|--|---|
| 10.32 | 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="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>         |
| 10.33 | 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="#">Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>         |
| 10.34 | 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="#">Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>         |
| 10.35 | 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="#">Exhibit 10.6 to Registrant's Current Report on Form 8-K filed on May 24, 2017</a>         |
| 10.36 | 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="#">Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q filed on November 10, 2014</a> |
| 10.37 | 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="#">Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 3, 2015</a>     |
| 10.38 | 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="#">Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on February 3, 2015</a>     |
| 10.39 | 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="#">Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on February 3, 2015</a>     |
| 10.40 | 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="#">Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on February 3, 2015</a>     |
| 10.41 | BXG Receivables Note Trust 2015-A, Standard Definitions  | <a href="#">Exhibit 10.5 of Registrant's Current Report on Form 8-K filed on February 3, 2015</a>     |
| 10.42 | 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="#">Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on June 30, 2015</a>        |
| 10.43 | 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="#">Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on June 30, 2015</a>        |
| 10.44 | 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="#">Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on July 7, 2015</a>         |
| 10.45 | 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="#">Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on July 7, 2015</a>         |
| 10.46 | 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="#">Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on July 7, 2015</a>         |
| 10.47 | 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="#">Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on July 7, 2015</a>         |
| 10.48 | 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="#">Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>      |
| 10.49 | 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="#">Exhibit 10.2 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>      |

|       |   |  |
|-------|---|--|
| 10.50 | 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="#">Exhibit 10.3 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.51 | 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="#">Exhibit 10.4 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.52 | 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="#">Exhibit 10.6 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.53 | 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="#">Exhibit 10.6 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.54 | Full Guaranty (Inventory Loan) dated December 13, 2013, by Bluegreen Corporation, as Guarantor, in favor of National Bank of Arizona, as Lender   | <a href="#">Exhibit 10.7 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.55 | 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="#">Exhibit 10.8 of Registrant's Current Report on Form 8-K filed on October 4, 2017</a>   |
| 10.56 | 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="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 23, 2016</a>    |
| 10.57 | 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="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on March 23, 2016</a>    |
| 10.58 | 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="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on March 23, 2016</a>    |
| 10.59 | 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="#">Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 23, 2016</a>    |
| 10.60 | BXG Receivables Note Trust 2016-A, Standard Definitions   | <a href="#">Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on March 23, 2016</a>    |
| 10.61 | 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="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on December 22, 2016</a> |
| 10.62 | 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="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on December 22, 2016</a> |
| 10.63 | 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="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 9, 2017</a>      |
| 10.64 | 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="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on June 9, 2017</a>      |
| 10.65 | 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="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on June 9, 2017</a>      |
| 10.66 | 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="#">Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on June 9, 2017</a>      |
| 10.67 | BXG Receivables Note Trust 2017-A, Standard Definitions   | <a href="#">Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on June 9, 2017</a>      |

|       |   |   |
|-------|---|---|
| 10.68 | 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   | <a href="#">Exhibit 10.66 to Registrant's Annual Report on Form 10-K filed on March 9, 2018</a>   |
| 10.69 | Second Amended and Restated Receivables Loan Agreement, dated as of March 12, 2018, by and among Bluegreen Vacations Corporation, as Borrower, and Liberty Bank, as Lender and Administrative and Collateral Agent  | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 16, 2018</a>   |
| 10.70 | Second Amended and Restated Receivables Loan Note, dated as of March 12, 2018, by Bluegreen Vacations Corporation in favor of Liberty Bank  | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on March 16, 2018</a>   |
| 10.71 | Eighth Commitment Amendment to Loan Sale and Servicing Agreement, dated as of April 6, 2018, by and among BBCV Receivables-Q 2010 LLC, as Seller, Quorum Federal Credit Union, as Buyer, Vacation Trust, Inc., as Club Trustee, U.S. Bank National Association, as Custodian, Bluegreen Vacations Corporation, as Servicer, and Concord Servicing Corporation as Backup Servicer. | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on April 12, 2018</a>   |
| 10.72 | Commitment Purchase Period Terms Letter, dated as of April 6, 2018, by BBCV Receivables-Q 2010 LLC, as Seller, and Quorum Federal Credit Union, as Buyer.   | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on April 12, 2018</a>   |
| 10.73 | Eighth Commitment Amendment to Loan Sale and Servicing Agreement, dated as of April 6, 2018, by and among BRFC-Q 2010 LLC, as Seller, Quorum Federal Credit Union, as Buyer, Vacation Trust, Inc., as Club Trustee, U.S. Bank National Association, as Custodian, Bluegreen Vacations Corporation, as Servicer, and Concord Servicing Corporation as Backup Servicer.             | <a href="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on April 12, 2018</a>   |
| 10.74 | Commitment Purchase Period Terms Letter, dated as of April 6, 2018, by BRFC-Q 2010 LLC, as Seller, and Quorum Federal Credit Union, as Buyer.   | <a href="#">Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on April 12, 2018</a>   |
| 10.75 | Promissory Note, dated as of April 17, 2018, by Bluegreen Vacations Corporation and Bluegreen Vacations Unlimited, Inc., jointly and severally, in favor of ZB, N.A.  | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on April 23, 2018</a>   |
| 10.76 | Fifth Amendment to Amended and Restated Loan and Security Agreement, dated as of August 15, 2018, by and among Bluegreen Vacations Corporation, the Borrower, each of the financial institutions from time to time party thereto, and Pacific Western Bank, as Agent.   | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 21, 2018</a>  |
| 10.77 | Indenture, dated as of October 15, 2018, among BXG Receivables Note Trust 2018-A, as Issuer, Bluegreen Vacations 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="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K files on October 29, 2018</a> |
| 10.78 | Sale Agreement, dated as of October 15, 2018, by and between BRFC 2018-A LLC, as Depositor, and BXG Receivables Note Trust 2018-A, as Issuer  | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on October 29, 2018</a> |
| 10.79 | Transfer Agreement, dated as of October 15, 2018, by and among Bluegreen Vacations Corporation, BXG Timeshare Trust I, as Seller, and BRFC 2018-A LLC, as Depositor   | <a href="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on October 29, 2018</a> |
| 10.80 | Purchase and Contribution Agreement, dated as of October 15, 2018, by and between Bluegreen Vacations Corporation, as Seller, and BRFC 2018-A LLC, as Depositor   | <a href="#">Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on October 29, 2018</a> |
| 10.81 | BXG Receivables Note Trust 2018-A, Standard Definitions   | <a href="#">Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on October 29, 2018</a> |
| 10.82 | Acquisition Loan Agreement, dated as of April 17, 2018, by and among Bluegreen Vacations Corporation and Bluegreen Vacations Unlimited, Inc., jointly and severally as Borrower, and ZB, N.A, as Lender   | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on April 23, 2018</a>   |
| 10.83 | Second Amended and Restated Credit Agreement dated as of October 23, 2019, by and among Bluegreen Vacations Corporation, as Borrower, the Guarantors from time to time party, the Lenders from time to time party, and Fifth Third Bank, as Administrative Agent and L/C Issuer.  | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on October 29, 2019</a> |

|         |   |  |
|---------|---|--|
| 10.84   | Second Amended and Restated Security Agreement, dated as of October 23, 2019, by and among Bluegreen Vacations Corporation, as Borrower, Bluegreen Vacations Unlimited, Inc., Bluegreen Resorts Management, Inc., Bluegreen Nevada, LLC, Bluegreen Louisiana, LLC, Bluegreen New Jersey, LLC and TFRI 2013-1 LLC and each other guarantor party from time to time, as Grantors, and Fifth Third Bank, as Administrative Agent | <a href="#">Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on October 29, 2019</a>                                      |
| 10.85   | Pledge Agreement, dated as of October 23, 2019, by and among Bluegreen Vacations Corporation, as Pledgor, in favor of Fifth Third Bank, as Administrative Agent   | <a href="#">Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on October 29, 2019</a>                                      |
| 10.86   | Omnibus Amendment No. 2, dated as of December 27, 2019, by and among BXG Timeshare Trust I, Bluegreen Vacations 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="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on January 3, 2020</a>                                       |
| 10.87   | Loan Extension and Modification Agreement 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   | <a href="#">Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on July 19, 2019</a>   |
| 10.88   | Amended and Restated Marketing and Promotions Agreement by and among Bass Pro and affiliates and Bluegreen and affiliates, dated as of December 31, 2007  | <a href="#">Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.89   | First Amendment to Amended and Restated Marketing and Promotions Agreement by and among Bass Pro and affiliates and Bluegreen and affiliates, dated as of June 26, 2010   | <a href="#">Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.90   | Second Amendment to Amended and Restated Marketing and Promotions Agreement by and among Bass Pro and affiliates and Bluegreen and affiliates, dated as of October 1, 2010  | <a href="#">Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.91   | Amended and Restated Operating Agreement of Bluegreen/Big Cedar Vacations, LLC, dated as of December 31, 2007   | <a href="#">Exhibit 10.4 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.92   | First Amendment to Amended and Restated Operating Agreement of Bluegreen/Big Cedar Vacations, LLC, dated as of October 1, 2010  | <a href="#">Exhibit 10.5 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.93   | Amendment No. 2 to Amended and Restated Operating Agreement of Bluegreen/Big Cedar Vacations, LLC, dated as of August 31, 2016  | <a href="#">Exhibit 10.6 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 10.94   | Settlement Agreement and Amendment No. 3 to the Amended and Restated Marketing and Promotions Agreement, dated as of June 13, 2019, by and among Bluegreen Vacations Unlimited, Inc., Bass Pro, Inc., Big Cedar, L.L.C., and Bluegreen/Big Cedar Vacations, LLC   | <a href="#">Exhibit 10.7 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on August 7, 2019</a> |
| 21.1    | Subsidiaries of the Registrant  | <a href="#">Filed with this Report</a>   |
| 23.1    | Consent of Grant Thornton LLP   | <a href="#">Filed with this Report</a>   |
| 23.2    | Consent of Berkowitz Pollack Brant Advisors and CPAs  | <a href="#">Filed with this Report</a>   |
| 31.1    | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  | <a href="#">Filed with this Report</a>   |
| 31.2    | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  | <a href="#">Filed with this Report</a>   |
| 32.1    | 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   | <a href="#">Furnished with this Report</a>   |
| 32.2    | 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   | <a href="#">Furnished with this Report</a>   |
| 99.1    | Audited Consolidated Financial Statements of Altis at Bonterra – Hialeah, LLC and Subsidiary  | <a href="#">Furnished with this Report</a>   |
| 101.INS | XBRL Instance Document  | <a href="#">Filed with this Report</a>   |
| 101.SCH | XBRL Taxonomy Extension Schema Document   | <a href="#">Filed with this Report</a>   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document   | <a href="#">Filed with this Report</a>   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document  | <a href="#">Filed with this Report</a>   |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document  | <a href="#">Filed with this Report</a>   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document  | <a href="#">Filed with this Report</a>   |



**Item 16. Form 10-K Summary**

None



## 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.

March 13, 2020

### BBX CAPITAL CORPORATION

By: /s/ Alan B. Levan  
Alan B. Levan, Chairman of the Board 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><br>Alan B. Levan                  | Chairman of the Board and Chief Executive Officer    | March 13, 2020 |
| <u>/s/ John E. Abdo</u><br>John E. Abdo                    | Vice Chairman of the Board                           | March 13, 2020 |
| <u>/s/ Jarett S. Levan</u><br>Jarett S. Levan              | President and Director                               | March 13, 2020 |
| <u>/s/ Seth M. Wise</u><br>Seth M. Wise                    | Executive Vice President and Director                | March 13, 2020 |
| <u>/s/ Raymond S. Lopez</u><br>Raymond S. Lopez            | Executive Vice President and Chief Financial Officer | March 13, 2020 |
| <u>/s/Brett Sheppard</u><br>Brett Sheppard                 | Chief Accounting Officer                             | March 13, 2020 |
| <u>/s/Norman H. Becker</u><br>Norman H. Becker             | Director   | March 13, 2020 |
| <u>/s/Andrew R. Cagnetta, Jr</u><br>Andrew R. Cagnetta, Jr | Director   | March 13, 2020 |
| <u>/s/Steven M. Coldren</u><br>Steven M. Coldren           | Director   | March 13, 2020 |
| <u>/s/ Darwin Dornbush</u><br>Darwin Dornbush              | Director   | March 13, 2020 |
| <u>/s/Willis N. Holcombe</u><br>Willis N. Holcombe         | Director   | March 13, 2020 |
| <u>/s/ Joel Levy</u><br>Joel Levy                          | Director   | March 13, 2020 |
| <u>/s/ William Nicholson</u><br>William Nicholson          | Director   | March 13, 2020 |
| <u>/s/Tony P. Segreto</u><br>Tony P. Segreto               | Director   | March 13, 2020 |
| <u>/s/ Neil A. Sterling</u><br>Neil A. Sterling            | Director   | March 13, 2020 |
| <u>/s/Gregory A. Haile</u><br>Gregory A. Haile             | Director   | March 13, 2020 |

**D DESCRIPTION OF SECURITIES**

*The following description of our capital stock does not purport to be complete and is subject to, and qualified in its entirety by reference to, our Amended and Restated Articles of Incorporation and Bylaws, in each case as amended, which are filed as exhibits to our Annual Report on Form 10-K. The terms of our capital stock may also be affected by Florida law.*

**Authorized Capital Stock**

Our authorized capital stock consists of 150,000,000 shares of Class A Common Stock, par value \$0.01 per share, 20,000,000 shares of Class B Common Stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. As of March 2, 2020, approximately 78,106,148 shares of our Class A Common Stock and 18,466,942 shares of our Class B Common Stock were issued and outstanding. We do not have any outstanding shares of preferred stock.

**Voting Rights**

Except as provided by Florida law or as specifically provided in our Amended and Restated Articles of Incorporation, holders of our Class A Common Stock and Class B Common Stock vote as a single group on matters presented to them for a shareholder vote. Each share of our Class A Common Stock is entitled to one vote and our Class A Common Stock represents in the aggregate 22% of the total voting power of our Class A Common Stock and Class B Common Stock. Each share of our Class B Common Stock is entitled to the number of votes per share which will represent in the aggregate 78% of the total voting power of our Class A Common Stock and Class B Common Stock. These fixed voting percentages will remain in effect until the total number of outstanding shares of our Class B Common Stock falls below 1,800,000 shares. If the total number of outstanding shares of our Class B Common Stock is less than 1,800,000 shares but greater than 1,400,000 shares, then our Class A Common Stock will hold a voting percentage equal to 40% and our Class B Common Stock will hold a voting percentage equal to the remaining 60%. If the total number of outstanding shares of our Class B Common Stock is less than 1,400,000 shares but greater than 500,000 shares, then our Class A Common Stock will hold a voting percentage equal to 53% and our Class B Common Stock will hold a voting percentage equal to the remaining 47%. If the total number of outstanding shares of our Class B Common Stock is less than 500,000 shares, then each share of our Class A Common Stock and Class B Common Stock will be entitled to one vote on each matter presented to a vote of our shareholders. Each of the above-described share thresholds will be ratably adjusted in connection with any stock split, reverse stock split or similar transaction effected by us.

Under Florida law, holders of our Class A Common Stock are entitled to vote as a separate voting group on amendments to our Amended and Restated Articles of Incorporation which require the approval of our shareholders under Florida law and would:

- effect an exchange or reclassification of all or part of the shares of our Class A Common Stock into shares of another class;
  - effect an exchange or reclassification, or create a right of exchange, of all or part of the shares of another class into shares of our Class A Common Stock;
  - change the designation, rights, preferences, or limitations of all or part of the shares of our Class A Common Stock;
  - change all or part of the shares of our Class A Common Stock into a different number of shares of Class A Common Stock;
  - create a new class of shares which have rights or preferences with respect to distributions or to dissolution that are prior or superior to our Class A Common Stock;
-

- increase the rights, preferences or number of authorized shares of any class that, after giving effect to the amendment, have rights or preferences with respect to distributions or to dissolution that are prior or superior to our Class A Common Stock;
- limit or deny an existing preemptive right of all or part of the shares of our Class A Common Stock; or
- cancel or otherwise affect rights to distributions or dividends that have accumulated but not yet been declared on all or part of the shares of our Class A Common Stock.

However, if a proposed amendment that would otherwise entitle the holders of our Class A Common Stock to vote as a separate voting group as a result of the amendment having one of the effects described above would affect the holders of our Class B Common Stock or any of our other securities outstanding from time to time in the same or substantially similar way, then the holders of our Class A Common Stock will not be entitled to vote as a separate voting group on the proposed amendment but instead will vote together with the other similarly affected shareholders as a single voting group on the amendment.

Under Florida law, holders of our Class B Common Stock are entitled to vote as a separate voting group on any amendment to our Amended and Restated Articles of Incorporation which require the approval of our shareholders under Florida law and would affect the rights of the holders of our Class B Common Stock in substantially the same manner as described above with respect to our Class A Common Stock. Holders of our Class A Common Stock and Class B Common Stock are each also entitled to vote as a separate voting group on any plan of merger or plan of share exchange that requires the approval of our shareholders under Florida law and contains a provision which, if included in a proposed amendment to our Amended and Restated Articles of Incorporation, would require their vote as a separate voting group.

In addition to the rights afforded to our shareholders under Florida law, our Amended and Restated Articles of Incorporation provide that the approval of the holders of our Class B Common Stock, voting as a separate voting group, will be required before any of the following actions may be taken:

- the issuance of any additional shares of our Class B Common Stock, other than a stock dividend issued to holders of our Class B Common Stock;
- a reduction in the number of outstanding shares of our Class B Common Stock, except for any reduction by virtue of a conversion of shares of our Class B Common Stock into shares of our Class A Common Stock or a voluntary disposition to the Company; or
- any amendments of the voting rights provisions of our Amended and Restated Articles of Incorporation.

Our Amended and Restated Articles of Incorporation do not provide for cumulative voting on the election of directors.

#### **Convertibility of Class B Common Stock**

Shares of our Class B Common Stock are convertible, at any time in the holder's discretion into shares of our Class A Common Stock on a share-for-share basis.

#### **Dividends and Other Distributions; Liquidation Rights**

Holders of our Class A Common Stock and Class B Common Stock are entitled to receive cash dividends, when and as declared by our Board of Directors out of legally available assets, subject to preferences that may apply to any shares of our preferred stock outstanding from time to time. Any distribution per share with respect to our Class A Common Stock will be identical to the distribution per share with respect to our Class B Common Stock, except that a stock dividend or other non-cash distribution to holders of our Class A Common Stock may be declared and issued only in the form of Class A Common Stock while a dividend or other non-cash distribution to

---

holders of our Class B Common Stock may be declared and issued in the form of either Class A Common Stock or Class B Common Stock at the discretion of our Board of Directors, provided that the number of any shares so issued or any non-cash distribution is the same on a per share basis.

Upon any liquidation, the assets legally available for distribution to our shareholders after payment of liabilities and any liquidation preference of any shares of our preferred stock outstanding from time to time will be distributed ratably among the holders of our Class A Common Stock and Class B Common Stock.

**Fully Paid and Non-Assessable**

All outstanding shares of our Class A Common Stock and Class B Common Stock are fully paid and non-assessable.

**Preemptive or Payment Rights; Redemption of 5% Cumulative Preferred Stock**

Our shareholders have no preemptive rights, and there are no sinking fund provisions or redemption provisions relating to any shares of our outstanding capital stock. In addition, our shareholders do not have any subscription or other similar rights to purchase shares of any class of our capital stock.

**Additional Shares of Common Stock**

We may issue additional authorized shares of our Class A Common Stock or Class B Common Stock as authorized by our Board of Directors from time to time, without shareholder approval, subject to any limitations imposed by the listing standards of the NYSE (or any other national securities exchange on which our Class A Common Stock or Class B Common Stock may be listed).

**Stock Exchange Listing**

Our Class A Common Stock listed on the NYSE under the symbol "BBX." Our Class B Common Stock trades on the OTCQX under the symbol "BBXTB."

**Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC is the transfer agent and registrar for our Class A Common Stock and Class B Common Stock.

**Preferred Stock**

Under our Amended and Restated Articles of Incorporation and as permitted by Florida law, our Board of Directors has the authority to provide for the issuance of shares of preferred stock in one or more series and to fix the preferences, powers and relative, participating, optional or other special rights, qualifications, limitations and restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference, and to fix the number of shares to be included in any such series without any further vote or action by our shareholders, except to the extent required by the listing standards of the NYSE (or any other national securities exchange on which our Class A Common Stock or Class B Common Stock may be listed). Any series of preferred stock so issued may rank senior to our Class A Common Stock and/or Class B Common Stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up, or both. The issuance of preferred stock, including in a series with voting and/or conversion rights, may have the effect of delaying, deferring or preventing a change in control of the Company without further action by our shareholders and may adversely affect the voting and other rights of the holders of our Class A Common Stock and Class B Common Stock.

Under Florida law, holders of preferred stock will have the right to vote separately as a class (or, in some cases, as a series) on an amendment to our Amended and Restated Articles of Incorporation if the amendment would change the par value or, unless our Amended Restated Articles of Incorporation provided otherwise, change the number of authorized shares of the class or change the powers, preferences or special rights of the class or series so

---

as to adversely affect the class or series, as the case may be. This right is in addition to any voting rights that may be provided for in the applicable Articles of Amendment.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our Class A Common Stock and/or Class B Common Stock. Preferred stock could be issued quickly with terms designed to delay or prevent a change in control of the Company or make removal of our management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our Class A Common Stock or Class B Common Stock.

#### **Certain Anti-Takeover Effects**

The terms of our Class A Common Stock and Class B Common Stock make the sale or transfer of control of the Company or the removal of our incumbent directors unlikely without the concurrence of the holders of our Class B Common Stock. Our Amended and Restated Articles of Incorporation and Bylaws also contain other provisions which could have anti-takeover effects. These provisions include, without limitation, the authority of our Board of Directors to issue additional shares of preferred stock and to fix the relative rights and preferences of the preferred stock, as discussed above, without the need for any shareholder vote or approval, except to the extent required by the listing standards of the NYSE (or any other national securities exchange on which our Class A Common Stock or Class B Common Stock may be listed), and advance notice procedures to be complied with by our shareholders in order to make shareholder proposals or nominate directors.

In addition, Florida law provides that the voting rights to be accorded “control shares,” as defined below, of a Florida corporation such as the Company that has (i) 100 or more shareholders, (ii) its principal place of business, its principal office or substantial assets in Florida and (iii) either more than 10% of its shareholders residing in Florida, more than 10% of its shares owned by Florida residents or 1,000 shareholders residing in Florida, must be approved by a majority of each class of voting securities of the corporation, excluding those shares held by interested persons, before the control shares will be granted any voting rights. “Control shares” are defined under Florida law as shares acquired by a person, either directly or indirectly, that when added to all other shares of the issuing corporation owned by that person, would entitle that person to exercise, either directly or indirectly, voting power within any of the following ranges: (i) 20% or more but less than 33% of all voting power of the corporation’s voting securities; (ii) 33% or more but less than a majority of all voting power of the corporation’s voting securities; or (iii) a majority or more of all of the voting power of the corporation’s voting securities. These provisions do not apply to shares acquired under, among other things, an agreement or plan of merger or share exchange effected in compliance with the relevant provisions of Florida law and to which the corporation is a party, or an acquisition of shares previously approved by the board of directors of the corporation.

Florida law also provides that, if any person who, together with such person’s affiliates and associates, beneficially owns 10% or more of any voting stock of a corporation (referred to as an “interested person”), is a party to any merger, consolidation, disposition of all or a substantial part of the assets of the corporation or a subsidiary of the corporation or other business combination requiring shareholder approval under Florida law, such transaction requires approval by the affirmative vote of the holders of two-thirds of the voting shares other than the shares beneficially owned by the interested person; provided, that such approval is not required if (i) a majority of the disinterested directors has approved the interested person transaction, (ii) the corporation has not had more than 300 shareholders of record at any time during the three years preceding the date of the transaction’s announcement, (iii) the interested person has been the beneficial owner of at least 80% of the corporation’s outstanding voting shares for at least five years preceding the date of the transaction’s announcement, (iv) the interested person is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors, (v) the corporation is an investment company registered under the Investment Company Act of 1940, or (vi) the consideration that holders of the stock of the corporation will receive in the transaction meets certain minimum levels determined by a formula under Florida law.

#### **Limitation on Liability and Indemnification of Directors and Officers**

Florida law generally provides that a director of a Florida corporation is not personally liable for monetary damages to the corporation or any other person for any statement, vote, decision or failure to act regarding corporate

---

management or policy, unless the director breached or failed to perform his or her duties as a director and the director's breach of or failure to perform those duties constitutes (i) a violation of criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful, (ii) a transaction from which the director derived an improper personal benefit, either directly or indirectly, (iii) an unlawful distribution, (iv) in a proceeding by or in the right of the corporation or in the right of a shareholder, conscious disregard for the best interest of the corporation or willful misconduct, or (v) in a proceeding by or in the right of someone other than the corporation or a shareholder, recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety or property.

In addition, Florida law provides that a Florida corporation has the power to (i) indemnify any person who was or is a party to any proceeding (other than an action by, or in the right of, the corporation), because he or she was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against liability incurred in connection with such proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, and (ii) indemnify any person who was or is a party to any proceeding by or in the right of the corporation to procure a judgment in its favor because that person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses and amounts paid in settlement not exceeding, in the judgment of the board of directors of the corporation, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such proceeding, including any appeal thereof. Indemnification under clause (ii) of the preceding sentence is authorized if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification with regard to a proceeding by or in the right of the corporation is to be made in respect of any claim, issue or matter as to which such person has been found liable unless, and only to the extent that, the court in which the proceeding was brought, or any other court of competent jurisdiction, determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

In addition, under Florida law, to the extent that a director, officer, employee or agent of a Florida corporation has been successful on the merits or otherwise in defense of any proceeding referred to in the preceding paragraph, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Our Amended and Restated Articles of Incorporation and Bylaws contain indemnification provisions substantially similar to the above-described provisions of Florida law. In addition, we carry insurance permitted by Florida law for our directors, officers, employees and agents which covers alleged or actual error or omission, misstatement, misleading misstatement, neglect or breach of fiduciary duty while acting in such capacities on behalf of the corporation, which acts may include liabilities under the Securities Act.

#### **Exclusive Forum and Fee-Shifting Provisions**

Our Bylaws contain an exclusive forum provision which provides that, unless our Board of Directors consents to the selection of an alternative forum, the Circuit Court located in Broward County, Florida (or, if such Circuit Court does not have jurisdiction, another Circuit Court located within Florida or, if no Circuit Court located within Florida has jurisdiction, the federal district court for the Southern District of Florida) shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or its shareholders, (iii) any action asserting a claim against the Company or any of its directors, officers or other employees arising pursuant to any provision of the Florida Business Corporation Act or the Company's Amended and Restated Articles of Incorporation or Bylaws (in each case, as amended), or (iv) any action asserting a claim against the Company or any of its directors, officers or other employees governed by the internal affairs doctrine of the State of Florida (each, a "Covered Proceeding"). Pursuant to this provision, if any

---

Covered Proceeding is filed in a court other than a court located within Florida (a "Foreign Action") in the name of any shareholder, then such shareholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within Florida in connection with any action brought in any such court to enforce the exclusive forum provision and (ii) having service of process made upon such shareholder in any such enforcement action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

In addition, pursuant to our Bylaws, the Company and its officers, directors and other employees have the right to the extent permitted by applicable law (and unless our Board of Directors consents to the contrary) to reimbursement of all amounts incurred by the Company or its officers, directors or other employees, from any person or entity that initiates or asserts any claim or counterclaim against the Company or any of its officers, directors or other employees, or joins, offers substantial assistance to or has a direct financial interest in any such claim or counterclaim, if such person or entity does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought.

---

**Subsidiaries of BBX Capital Corporation**

|  | <b><u>Jurisdiction of<br/>Organization</u></b> |
|--|--|
| Woodbridge Holdings Corporation            | 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 Capital Captive Insurance Company, LLC | Tennessee                                      |
| Las Olas Confections and Snacks, Inc.      | Florida  |
| Confections by Design, LLC                 | Florida  |
| LAS Trademark, LLC                         | Florida  |

**Subsidiaries of Woodbridge Holdings Corporation**

|   |              |
|---|--------------|
| 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     |

**Subsidiaries of Bluegreen Vacations Corporation**

|   |          |
|---|----------|
| BBCV Receivables-Q 2010, LLC                  | Delaware |
| Bluegreen Asset Management Corporation        | Delaware |
| Bluegreen Beverage, LLC                       | Delaware |
| Bluegreen Communities of Texas, LP            | Delaware |
| Bluegreen Corporation of Tennessee            | Delaware |
| Bluegreen Golf Clubs, Inc.                    | Delaware |
| Bluegreen HoldCo, LLC                         | Nevada   |
| Bluegreen Louisiana, 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  |
| Bluegreen Receivables Finance Corporation III | Delaware |
| Bluegreen Resorts International, Inc.         | Delaware |
| Bluegreen Resorts Management, Inc.            | Delaware |
| Bluegreen Servicing 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 Vacations Unlimited, Inc.       | Florida        |
| Bluegreen/Big Cedar Vacations, LLC        | Delaware       |
| BRFC 2012-A LLC                           | Delaware       |
| BRFC 2013-A LLC                           | Delaware       |
| BRFC 2015-A LLC                           | Delaware       |
| BRFC 2016-A LLC                           | Delaware       |
| BRFC 2017-A LLC                           | Delaware       |
| BRFC 2018-A LLC                           | Delaware       |
| BRFC III Deed Corporation                 | Delaware       |
| BRFC-Q 2010, LLC                          | Delaware       |
| BRM Bahamas Limited                       | Bahamas        |
| BXG Construction, LLC                     | Delaware       |
| Encore Rewards, Inc.                      | Delaware       |
| Great Vacation Destinations, Inc.         | Florida        |
| Jordan Lake Preserve Corporation          | North Carolina |
| Leisure Capital Corporation               | Vermont        |
| Managed Assets Corporation                | Delaware       |
| New England Advertising Corporation       | Vermont        |
| 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       |

**Subsidiaries of BBX Capital Florida, LLC**

|  |         |
|--|---------|
| BBX Capital Real Estate, LLC                     | Florida |
| BBX Capital Partners, LLC                        | Florida |
| BBX Sweet Holdings, LLC                          | Florida |
| Food for Thought Restaurant Group – Florida, LLC | Florida |
| Renin Holdings, LLC                              | Florida |

**Subsidiaries of BBX Capital Real Estate, LLC**

|  |         |
|--|---------|
| BBX Partners, Inc.                       | Florida |
| BBX Capital Asset Management, LLC        | Florida |
| Florida Asset Resolution Group, LLC      | Florida |
| BBX Altman Operating Entities, LLC       | Florida |
| BBX Altis Projects, LLC                  | Florida |
| BBX Capital Real Estate Investments, LLC | Florida |
| BBX Las Olas Investments, LLC            | Florida |
| BBX Sky Cove, LLC                        | Florida |
| BBX Altman Holdings, LLC                 | Florida |

---

**Subsidiaries of BBX Partners Inc.**

|                           |         |
|---------------------------|---------|
| Heartwood Partners 1, LLC | Florida |
| Heartwood Partners 2, LLC | Florida |
| Heartwood Partners 3, LLC | Florida |

**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 |
| BBX Ludlam-Miami, LLC              | Florida |

---

**Subsidiary of Heartwood 91-2, LLC**

Unique Restaurant of Mizner Park Inc. Florida

**Subsidiaries 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  
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  
Jer's Chocolates, LLC California  
Kencraft Confections, LLC Utah  
Sweet Acquisitions UT2 Utah  
Anastasia Confections, Inc. Florida

**Subsidiary of Sweet Acquisitions UT2**

Lone Peak Asia, LLC Utah

**Subsidiary of IT'SUGAR Holdings, LLC**

IT'SUGAR, LLC Florida

---

**Subsidiaries of IT'Sugar, LLC**

IT'Sugar Atlantic City, LLC  
IT'Sugar FLGC, LLC

Delaware  
Florida

**Subsidiaries of Food For Thought Restaurant Group – Florida, LLC**

Food For Thought Restaurant Group – LLC

Florida

**Subsidiaries of Renin Holdings, LLC**

Renin US, LLC  
Renin Canada Corporation

Mississippi  
Canada

**Subsidiaries of Renin Canada Corporation**

Renin UK Corporation

Canada

---

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated March 13, 2020, 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, 2019. We consent to the incorporation by reference of said reports in the Registration Statements of BBX Capital Corporation on Forms S-3 (File No. 333-216751 and File No. 333-219178) and on Forms S-8 (File No. 333-197195, File No. 333-206371, File No. 333-218265, File No. 333-225211 and File No. 333-231857).

GRANT THORNTON LLP

Fort Lauderdale, Florida  
March 13, 2020

---

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated February 14, 2020 with respect to the consolidated financial statements of Altis at Bonterra – Hialeah, LLC and Subsidiary for the year ended December 31, 2019, 2018 and 2017, included as Exhibit 99.1 in the Annual Report of BBX Capital Corporation on Form 10-K for the year ended December 31, 2019. We consent to the incorporation by reference of said report in the Registration Statements of BBX Capital Corporation on Forms S-3 (File No. 333-216751 and File No. 333-219178) and on Forms S-8 (File No. 333-197195, File No. 333-206371, File No. 333-218265, File No. 333-225211 and File No. 333-231857).

Berkowitz Pollack Brant Advisors and CPAs

Fort Lauderdale, Florida  
March 6, 2020

---

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 13, 2020

By: /s/Alan B. Levan  
Alan B. Levan,  
Chairman of the Board and  
Chief Executive Officer

---

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 13, 2020

By: /s/Raymond S. Lopez  
Raymond S. Lopez,  
Chief Financial Officer

---



**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, 2019, 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 13, 2020

---

**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, 2019, 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 13, 2020

---

ALTIS AT BONTERRA – HIALEAH, LLC AND  
SUBSIDIARY  
Consolidated Financial Statements

---

ALTIS AT BONTERRA - HIALEAH, LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018  
and for the years ended  
December 31, 2019, 2018 and 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

|   | Pages(s) |
|---|----------|
| <a href="#"><u>Independent Auditor's Report</u></a>               | 2        |
| <a href="#"><u>Consolidated Balance Sheets</u></a>                | 3        |
| <a href="#"><u>Consolidated Statements of Operations</u></a>      | 4        |
| <a href="#"><u>Consolidated Statements of Members' Equity</u></a> | 5        |
| <a href="#"><u>Consolidated Statements of Cash Flows</u></a>      | 6        |
| <a href="#"><u>Notes to Consolidated Financial Statements</u></a> | 7-16     |



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Altis at Bonterra - Hialeah, LLC

We have audited the accompanying consolidated financial statements of Altis at Bonterra - Hialeah, LLC and Subsidiary (collectively, the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of operations, members' equity and cash flows for each of the three years ended December 31, 2019, 2018 and 2017 and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Altis at Bonterra - Hialeah, LLC and Subsidiary as of December 31, 2019 and 2018 and the results of their operations and their cash flows for each of the three years ended December 31, 2019, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

/s/ Berkowitz Pollack Brant  
Fort Lauderdale, Florida  
February 14, 2020

ALTIS AT BONTERRA – HIALEAH, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

|  | <u>2019</u>        | <u>December 31,</u> | <u>2018</u>         |
|--|--------------------|---------------------|---------------------|
| <b>ASSETS</b>                                      |                    |                     |                     |
| Rental property                                    |                    |                     |                     |
| Building and improvements                          | \$ -               |                     | \$47,604,606        |
| Furniture and equipment                            | -                  |                     | 1,790,382           |
|  |                    |                     | <u>49,394,988</u>   |
| Accumulated depreciation                           | -                  |                     | (3,094,570)         |
|  |                    |                     | <u>46,300,418</u>   |
| Land   | -                  |                     | 9,433,637           |
| Total rental property, net                         | -                  |                     | 55,734,055          |
| Cash   | 854,767            |                     | 3,777,357           |
| Restricted cash                                    | 559,600            |                     | -                   |
| Cash held for tenant security deposits             | -                  |                     | 256,313             |
| Tenant accounts receivable                         | -                  |                     | 28,869              |
| Other receivables                                  | -                  |                     | 18,058              |
| Prepaid expenses and other assets                  | -                  |                     | 41,676              |
| Prepaid marketing                                  | -                  |                     | 44,811              |
| TOTAL ASSETS                                       | <u>\$1,414,367</u> |                     | <u>\$59,901,139</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>             |                    |                     |                     |
| Construction note payable                          | \$ -               |                     | \$38,641,373        |
| Accrued construction and development costs payable | -                  |                     | 81,869              |
| Accounts payable and accrued expenses              | 461,247            |                     | 153,300             |
| Due to non-affiliated entity, net                  | 289,584            |                     | -                   |
| Security deposits held for tenants                 | -                  |                     | 256,313             |
| Property management fee payable to related party   | -                  |                     | 16,566              |
| Accrued interest payable                           | -                  |                     | 62,383              |
| TOTAL LIABILITIES                                  | 750,831            |                     | 39,211,804          |
| <b>COMMITMENTS AND CONTINGENCIES</b>               |                    |                     |                     |
| MEMBERS' EQUITY                                    | <u>663,536</u>     |                     | <u>20,689,335</u>   |
| TOTAL LIABILITIES AND MEMBERS' EQUITY              | <u>\$1,414,367</u> |                     | <u>\$59,901,139</u> |

See notes to consolidated financial statements

ALTIS AT BONTERRA – HIALEAH, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

|   | December 31,        |                  |                    |
|---|---------------------|------------------|--------------------|
|   | <u>2019</u>         | <u>2018</u>      | <u>2017</u>        |
| <b>REVENUES</b>                           |                     |                  |                    |
| Rental income, net                        | \$4,167,683         | \$6,139,307      | \$1,620,760        |
| Other operating income, net               | 298,676             | 371,021          | 229,874            |
| <b>TOTAL REVENUES, NET</b>                | <b>4,466,359</b>    | <b>6,510,328</b> | <b>1,850,634</b>   |
| <b>OPERATING EXPENSES</b>                 |                     |                  |                    |
| Salaries and employee benefits            | 261,601             | 438,365          | 368,706            |
| Advertising                               | 139,369             | 195,104          | 157,187            |
| Property management fees - related party  | 133,973             | 196,124          | 121,667            |
| Utilities                                 | 125,722             | 242,417          | 133,400            |
| Repairs and maintenance                   | 175,333             | 232,698          | 118,304            |
| Property insurance                        | 101,980             | 154,707          | 51,475             |
| Property taxes                            | 460,155             | 127,760          | 41,840             |
| Marketing                                 | 44,811              | 70,417           | -                  |
| Professional fees                         | 94,394              | 49,825           | 1,441              |
| Bad debt expense                          | 128,007             | 75,711           | 12,808             |
| Other operating expenses                  | 142,368             | 187,079          | 134,915            |
| <b>TOTAL OPERATING EXPENSES</b>           | <b>1,807,713</b>    | <b>1,970,207</b> | <b>1,141,743</b>   |
| <b>INCOME FROM OPERATIONS</b>             | <b>2,658,646</b>    | <b>4,540,121</b> | <b>708,891</b>     |
| <b>OTHER (INCOME) EXPENSES, net</b>       |                     |                  |                    |
| Interest expense                          | 1,283,605           | 1,774,284        | 613,204            |
| Depreciation                              | 1,388,280           | 2,192,882        | 901,688            |
| Interest income                           | (31,616)            | -                | -                  |
| Gain on sale of rental property           | (33,842,601)        | -                | -                  |
| <b>TOTAL OTHER (INCOME) EXPENSES, net</b> | <b>(31,202,332)</b> | <b>3,967,166</b> | <b>1,514,892</b>   |
| <b>NET INCOME (LOSS)</b>                  | <b>\$33,860,978</b> | <b>\$572,955</b> | <b>\$(806,001)</b> |

See notes to consolidated financial statements

ALTIS AT BONTERRA – HIALEAH, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

|                             | <u>Altis at Bonterra Manager,<br/>LLC</u> | <u>BBX Bonterra Multifamily,<br/>LLC</u> | <u>Total</u> |
|-----------------------------|---|--|--------------|
| Balance - December 31, 2016 | \$2,092,238                               | \$18,830,143                             | \$20,922,381 |
| Net loss                    | (80,600)                                  | (725,401)                                | (806,001)    |
| Balance - December 31, 2017 | 2,011,638                                 | 18,104,742                               | 20,116,380   |
| Net income                  | 57,296                                    | 515,659                                  | 572,955      |
| Balance - December 31, 2018 | 2,068,934                                 | 18,620,401                               | 20,689,335   |
| Net income                  | 10,893,514                                | 22,967,464                               | 33,860,978   |
| Distributions               | (12,697,033)                              | (41,189,744)                             | (53,886,777) |
| Balance - December 31, 2019 | \$265,415                                 | \$398,121                                | \$663,536    |

See notes to consolidated financial statements



ALTIS AT BONTERRA – HIALEAH, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | December 31,        |                    |                     |
|---|---------------------|--------------------|---------------------|
|   | 2019                | 2018               | 2017                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                    |                     |
| Net income (loss)   | \$33,860,978        | \$572,955          | \$(806,001)         |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:                  |                     |                    |                     |
| Gain on sale of rental property   | (33,842,601)        | -                  | -                   |
| Depreciation  | 1,388,280           | 2,192,882          | 901,688             |
| Amortization of debt issuance costs   | 158,621             | 158,621            | 70,723              |
| Amortization of prepaid marketing   | 44,811              | 70,417             | -                   |
| Bad debt expense  | 128,007             | 75,711             | 12,808              |
| Changes in operating assets and liabilities   |                     |                    |                     |
| Tenant accounts receivable  | (99,138)            | (81,811)           | (35,577)            |
| Other receivables   | 18,058              | 14,163             | (32,221)            |
| Prepaid expenses and other assets   | 41,676              | (19,339)           | (18,319)            |
| Prepaid marketing   | -                   | -                  | (57,886)            |
| Property management fee payable to related party  | (16,566)            | 5,274              | 1,292               |
| Accrued interest payable  | (62,383)            | 11,633             | -                   |
| Accounts payable and accrued expenses   | 307,947             | 17,952             | 132,070             |
| Due to non-affiliated entity  | 289,584             | -                  | -                   |
| Security deposits held for tenants  | (256,313)           | 78,411             | 177,902             |
| <b>TOTAL ADJUSTMENTS</b>  | <b>(31,900,017)</b> | <b>2,523,914</b>   | <b>1,152,480</b>    |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>1,960,961</b>    | <b>3,096,869</b>   | <b>346,479</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                    |                     |
| Net proceeds from sale of rental property   | 88,273,168          | -                  | -                   |
| Expenditures for development of rental property   | (166,661)           | (760,935)          | (18,553,361)        |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>  | <b>88,106,507</b>   | <b>(760,935)</b>   | <b>(18,553,361)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                    |                     |
| Distributions to members  | (53,886,777)        | -                  | -                   |
| Borrowings (repayments) on construction note payable  | (38,799,994)        | 578,396            | 19,149,829          |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>  | <b>(92,686,771)</b> | <b>578,396</b>     | <b>19,149,829</b>   |
| <b>NET CHANGE IN CASH AND RESTRICTED CASH</b>   | <b>(2,619,303)</b>  | <b>2,914,330</b>   | <b>942,947</b>      |
| <b>CASH AND RESTRICTED CASH - BEGINNING OF YEAR</b>   | <b>4,033,670</b>    | <b>1,119,340</b>   | <b>176,393</b>      |
| <b>CASH AND RESTRICTED CASH - END OF YEAR</b>   | <b>\$1,414,367</b>  | <b>\$4,033,670</b> | <b>\$1,119,340</b>  |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH AND RESTRICTED CASH:</b>   |                     |                    |                     |
| Cash  | \$854,767           | \$3,777,357        | \$941,438           |
| Restricted cash   | 559,600             | -                  | -                   |
| Cash held for tenant security deposits  | -                   | 256,313            | 177,902             |
| <b>TOTAL CASH AND RESTRICTED CASH</b>   | <b>\$1,414,367</b>  | <b>\$4,033,670</b> | <b>\$1,119,340</b>  |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>  |                     |                    |                     |
| Cash paid during the year for interest, including capitalized interest of approximately \$472,000 in 2017 | \$1,187,367         | \$1,604,000        | \$982,955           |

SUPPLEMENTAL SCHEDULE OF NON-CASH

INVESTING AND FINANCING ACTIVITIES:

|                                     |             |             |                  |
|-------------------------------------|-------------|-------------|------------------|
| Accrued construction costs payable  | \$ -        | \$ -        | \$309,503        |
| Accrued interest payable            | -           | -           | 31,469           |
| Amortization of debt issuance costs | <u>-</u>    | <u>-</u>    | <u>87,898</u>    |
|                                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$428,870</u> |

See notes to consolidated financial statements

ALTIS AT BONTERRA - HIALEAH, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, and  
and for the years ended  
December 31, 2019, 2018 and 2017

NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Company: Altis at Bonterra - Hialeah, LLC (the “Company”) is a limited liability company organized in the State of Florida. The Company was originally formed on June 26, 2014 under the name Bonterra Multifamily Holdings, LLC. On November 16, 2015, the Company amended its Articles of Organization and changed its name to Altis at Bonterra - Hialeah, LLC (“Bonterra Hialeah”). On December 18, 2015, the sole member of Bonterra Hialeah, BBX Bonterra Multifamily, LLC (“BBX”), executed an Operating Agreement with Altis at Bonterra Manager, LLC (“Altis” or “Manager”) which admitted Altis as a 10% Member of Bonterra Hialeah and appointed Altis the Manager of the Company, which resulted in a change in control of the Company (the “Reorganization”). BBX and Altis are collectively referred to as the “Members”.

The exclusive purpose of the Company is to develop, own, operate, manage, maintain, improve, sell, finance and otherwise deal with a 314 unit multi-family housing development on 14.02 acres of land located in Hialeah, Florida (the “Project”). The Company shall not engage in any other business or activity without the approval of all Members.

Pursuant to the terms of the Operating Agreement, the Manager holds a 10% member interest (capital) and BBX holds a 90% member interest (capital). The Manager is authorized to conduct the day-to-day management, operations and implementation of major decisions that have been approved by the Members, as defined in the Operating Agreement. The Manager is subject to removal upon the occurrence of specific events, as defined in the Operating Agreement. BBX is responsible solely to contribute capital and shall not be liable for any debts, liabilities, contracts or obligations of the Company, unless specifically stated in the Operating Agreement.

The Company shall have perpetual existence until it is dissolved, and its affairs wound up in accordance with the Operating Agreement. On August 15, 2019, the Company sold its rental property (see Note B).

Reorganization: Prior to December 18, 2015, BBX was the sole member of Bonterra Hialeah. In connection with the execution of the Operating Agreement, appointment of Altis as Manager of the Company, and resulting change in control of the Company, the assets of Bonterra Hialeah, which were limited to land and certain pre-development costs, which are included in rental property in the accompanying consolidated balance sheet, were adjusted to their fair values as of December 18, 2015 and allocated to the Members based on certain provisions of the Operating Agreement.

---

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Reorganization--Continued: The Company had no other significant assets or liabilities at the date of the Reorganization. As a result of the Reorganization, the Company's consolidated financial statements for periods subsequent to December 18, 2015, reflect the new bases of all assets and liabilities at the date of Reorganization. The Company applied the guidance in Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, in determining the fair value of the assets of the Company at the date of the Reorganization. The total fair value of these assets amounted to approximately \$12,943,000 and was allocated as capital contributions to the Members pursuant to the terms of the Operating Agreement dated December 18, 2015.

Principles of Consolidation: The consolidated financial statements include the accounts of Bonterra Hialeah and its wholly-owned subsidiary Bonterra Multifamily Management, LLC. The accounts of Bonterra Multifamily Management, LLC include the accounts of its wholly-owned subsidiary, Bonterra Multifamily Real Estate, LLC, which owned the land on which the Project is located. All significant intercompany transactions and balances have been eliminated in consolidation.

Reclassifications: Certain amounts reported in the prior-year consolidated financial statements have been reclassified in order to be comparable with the current year presentation.

Cash, Cash Equivalents, and Restricted Cash: The Company considers highly liquid investments with initial maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2019 and 2018. The Company's restricted cash of \$559,600 as of December 31, 2019, consists solely of cash held in an escrow account in connection with radon testing that is required to be performed by the Company pursuant to the amended Sales and Purchase Agreement (Note G). The Company's restricted cash of \$256,313 as of December 31, 2018, consisted solely of cash held for tenant security deposits. See recent accounting pronouncements below for changes to the presentation of restricted cash effective January 1, 2019 as a result of adopting Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

## NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Tenant Accounts Receivable: Tenant accounts receivable consist of rent proceeds to be received from tenants. The Company establishes an allowance for doubtful accounts receivable based on historical experience and any specific tenant collection issues that the Company has identified. The Company had zero allowance for doubtful accounts as of December 31, 2019 and 2018.

Rental Property: Rental property is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally 27.5 years for buildings and improvements, 15 years for site improvements, and 3 to 7 years for furniture and equipment. Depreciation expense for the years ended December 31, 2019, 2018 and 2017 amounted to approximately \$1,388,000, \$2,193,000, and \$902,000, respectively. On August 15, 2019, the Company sold its rental property (see Note B).

Impairment of Long-Lived Assets: The Company evaluates its rental property for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When recovery is reviewed, if the estimated undiscounted cash flows to be generated by the property are less than its carrying value, management compares the carrying value of the property to its fair value in order to determine whether the asset is impaired. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized through December 31, 2019.

Debt Issuance Costs: Debt issuance costs are amortized over the term of the respective loan using the straight-line method. Accounting principles generally accepted in the United States of America ("GAAP") require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Direct and incremental costs associated with the issuance of debt instruments are reported and presented as a reduction to the related debt on the balance sheet. As of December 31, 2019, the Company did not have unamortized debt issuance costs. Unamortized debt issuance costs as of December 31, 2018 amounted to approximately \$159,000 and are included as a reduction to the Company's construction note payable (Note D). During each of the years ended December 31, 2019, 2018 and 2017, the Company amortized debt issuance costs amounting to approximately \$159,000, which are included in interest expense in the accompanying consolidated statements of operations, with the exception of approximately \$88,000 that has been capitalized as construction in progress during 2017 and subsequently allocated to rental property as the rental units were placed into service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Revenue Recognition: Rental property is leased under operating leases, substantially all of which have terms of twelve months. Rental income is recognized as rents become due and is presented net of discounts and concessions in the accompanying consolidated statements of operations. Rental payments received in advance are deferred until earned. In addition to rental revenues, the Company also collects and recognizes as revenue certain application and non-refundable administrative fees from prospective tenants, which are presented net of refunds in the accompanying consolidated statements of operations.

Advertising: Advertising costs are charged to operations as incurred. Advertising expenses for the years ended December 31, 2019, 2018 and 2017 totaled approximately \$139,000, \$195,000, and \$157,000, respectively.

Income Taxes: Bonterra Hialeah is a limited liability company and has elected to be taxed as a partnership for Federal income tax purposes; as such, net loss and any loss carryforwards or tax credits, if applicable, are included in the Members' respective income tax returns. Accordingly, the Company has made no provision for income taxes. Bonterra Multifamily Management, LLC and Bonterra Multifamily Real Estate, LLC are single member limited liability companies and are disregarded entities for income tax purposes. The Company accounts for the uncertainty in income taxes in accordance with GAAP, which requires recognition in the consolidated financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following a tax audit.

For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applied this guidance to its tax positions for the years ended December 31, 2019 and 2018. The Company has no material unrecognized tax benefits and no adjustments to its financial position or cash flows were required. The Company recognizes accrued interest and penalties related to uncertain tax positions, if any, as income tax expense. The Company's tax returns for the years ended December 31, 2016 through December 31, 2018 remain subject to examination by major tax jurisdictions. No such examinations are presently in progress.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

## NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during any reporting period. Actual results could differ from those estimates.

Subsequent Events: The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 14, 2020, the date these consolidated financial statements were available to be issued.

Recent Accounting Pronouncements: In February 2017, the FASB issued ASU 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, to clarify the scope of Subtopic 610-20, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019, which is the same time as the amendments in ASU 2014-09 are effective. Early adoption is permitted. The Company adopted the amendments in ASU 2017-05 effective January 1, 2019, and the adoption did not have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments”. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The Company adopted this ASU during the year ended December 31, 2019, as required, on a retrospective basis. There was no impact on the Company’s consolidated financial statements for the years ended December 31, 2019, 2018, and 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE A--NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Recent Accounting Pronouncements--Continued: In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230), Restricted Cash". The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The effective date of the amendments in this update is for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company adopted this ASU during the year ended December 31, 2019, as required, on a retrospective basis. The retrospective impact on the consolidated statements of cash flows for the years ended December 31, 2018 and 2017 was an increase of \$78,411 and \$177,902 in net cash provided by operating activities, respectively.

NOTE B--SALE OF RENTAL PROPERTY

On August 15, 2019 (the "Date of Sale"), the Company sold the Project including its rights, title and interest in all assets and items located on or used in connection with the Project, to an unrelated entity for a sales price of \$90,000,000 pursuant to a Sales and Purchase Agreement (the "Agreement") dated July 3, 2019. The Company recognized a gain on the sale of the Project and related assets of approximately \$33,843,000 and repaid the Construction Note in its entirety (Note D). Pursuant to the Agreement, the Company finalized the estimated closing prorations based on the actual invoices and, as of December 31, 2019, recorded a net liability due to the buyer of \$289,584, which is presented in the December 31, 2019 consolidated balance sheet as due to non-affiliated entity, net. As a result of the sale of the Project and related assets, the Company plans to settle its remaining liabilities and wind up operations.

NOTE C--MEMBER CONTRIBUTIONS

Pursuant to the Operating Agreement, Altis and BBX are required to make capital contributions of approximately \$2,100,000 and \$18,902,000, respectively. Each Member has fully met its respective capital contribution requirement.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

## NOTE D--CONSTRUCTION NOTE PAYABLE

In December 2015, the Company executed a construction loan agreement (the "Construction Note" or "Note") with Branch Banking and Trust Company (the "Lender"), in the maximum amount of approximately \$38,800,000. The Construction Note had a maturity of 48 months subsequent to December 2015 ("Original Maturity Date"), with an extension option for an additional term of 36 months provided certain conditions are met (the "Term Phase"). The Construction Note required payments of interest only through the Original Maturity Date and is presented in the accompanying consolidated balance sheet as follows:

|                                 | December 31, |               |
|---------------------------------|--------------|---------------|
|                                 | 2019         | 2018          |
| Construction note balance       | \$ -         | \$ 38,799,994 |
| Unamortized debt issuance costs | (-)          | (158,621)     |
|                                 | \$ -         | \$ 38,641,373 |

On the Date of Sale, the Company repaid the entire outstanding balance on the Construction Note in full satisfaction of the remaining liability and all accrued and unpaid interest under the Construction Note agreement. The Company was in compliance with all financial and non-financial covenants in connection with the Construction Note through the Date of Sale.

The Note was guaranteed by a related party of the Manager. Additionally, the Note was secured by land, improvements and fixtures during development and an assignment of leases and rents as units are completed. Interest on the outstanding unpaid principal amount of the Note through the Original Maturity Date accrued at an annual rate of the one-month LIBOR plus 2.15% to be paid on dates specified in the Note.

Total interest incurred related to the Note during the years ended December 31, 2019, 2018 and 2017 was approximately \$1,125,000, \$1,616,000, and \$1,014,000, which is included in interest expense in the accompanying consolidated statements of operations, with the exception of approximately \$472,000 that was capitalized as a component of construction in progress in 2017 and subsequently allocated to rental property as the rental units were placed into service.

## NOTE E--RELATED PARTY TRANSACTIONS

Development Fee: The Company entered into a development agreement with an entity under common control with the Manager to oversee, monitor and manage the development of the Project for a fee of approximately \$1,794,000. The entire amount due under this agreement has been incurred and paid as of December 31, 2017 and is included in rental property in the accompanying consolidated balance sheet. No additional amounts associated with this development agreement were incurred or paid during the years ended December 31, 2019 and 2018.

Management Fee: The Company entered into a property management agreement with an affiliate of the Manager. The agreement was effective as of December 18, 2015 (Reorganization) and shall continue until either party cancels upon thirty days advance written notice with or without cause. The management agent is entitled to a monthly fee equal to the greater of, (a) \$10,000 or (b) 3% of Gross Monthly Collections, as defined in the Management Agreement. For the years ended December 31, 2019, 2018 and 2017, management fees of approximately \$134,000, \$196,000 and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

\$122,000, respectively, were charged to operations, of which approximately \$17,000 remained payable as of December 31, 2018 and is presented as property management fee payable to related party in the accompanying consolidated balance sheets. As of December 31, 2019, the management fees have been paid in full.

Construction Agreement: The Company entered into a construction agreement with an affiliate of the Manager.

The contract was completed during the year ended December 31, 2018, for a total amount of approximately \$38,358,000, which includes multiple change orders and a contractor fee of approximately \$1,900,000. All costs related to the construction agreement have been allocated to rental property. No amounts were due under the construction agreement as of December 31, 2018. No additional amounts associated with this construction agreement were incurred or paid during the year ended December 31, 2019.

NOTE F--COMPANY DISTRIBUTIONS OF CASH FLOW, PROFITS AND LOSSES

As provided by the Operating Agreement, distributions of net cash flow of the Company shall be allocated among, and credited to the capital accounts of the Members in accordance with the following order of priority:

1. To each Member in payment of its unpaid preferred return, as defined in the Operating Agreement, in the same ratio as such Member's unpaid preferred return bears to the unpaid preferred return of all Members until the unpaid preferred return of all Members have been reduced to zero;

NOTE F--COMPANY DISTRIBUTIONS OF CASH FLOW, PROFITS AND LOSSES--Continued

2. To each Member in payment of its unreturned capital contributions, as defined in the Operating Agreement, in the same ratio as such Member's unreturned capital contributions bears to the unreturned capital contributions of all Members until the unreturned capital contributions of all Members have been reduced to zero;
3. Thereafter, 60% to BBX and 40% to Manager.

As provided by the Operating Agreement, the profits of the Company, for each fiscal year in which the Company has a profit shall be allocated among, and credited to the capital accounts of the Members in accordance with the following order of priority:

1. To the Members until the cumulative profits allocated to them for the current and all prior fiscal years are equal to the cumulative losses allocated to them in proportion to the amount of such losses previously allocated to them and in reverse order of such allocations of losses;
2. To the Members until the cumulative profits allocated to them for the current and all prior fiscal years are equal to their respective aggregate preferred return as of each applicable period in the same ratio as such Member's aggregate preferred return bears to the aggregate preferred return of all Members as of each applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

period until profits equal to the aggregate preferred return of all Members for the current and all prior fiscal years have been allocated;

3. Thereafter, 60% to BBX and 40% to Manager.

As provided by the Operating Agreement, the losses of the Company, for each fiscal year in which the Company has a loss shall be allocated among, and charged to the capital accounts of the Members in accordance with the following order of priority:

1. To the Members in proportion to the amount of and until the cumulative losses allocated to them for the current and all prior fiscal years are equal to the cumulative profits, if any, allocated to them for all prior fiscal years, and in reverse order of such allocations of profits;
2. To the Members in accordance with the Members' proportionate positive capital account balances;

NOTE F--COMPANY DISTRIBUTIONS OF CASH FLOW, PROFITS AND LOSSES—Continued

3. Once all Members' capital accounts are reduced to zero, losses shall be allocated to those Members who bear the economic risk of such losses;
4. Once all Members' capital accounts are reduced to zero, losses shall be allocated to those Members who bear the economic risk of such losses;
5. Thereafter, to the Members in accordance with their respective distribution percentages.

The Operating Agreement provides for a preferred return on unreturned capital contributions. The per annum preferred return rate shall be equal to 9%, compounded monthly on the actual number of days outstanding.

NOTE G--COMMITMENT

Pursuant to the amended Sales and Purchase Agreement, the Company is required to establish an escrow deposit for the benefit of the buyer of the Project in connection with radon testing to be completed by the Company. As of December 31, 2019, the Company placed approximately \$559,600 in an escrow account and also accrued an estimated liability of \$413,000 in connection with such testing. The estimated liability is included in accounts payable and accrued expenses in the accompanying December 31, 2019 consolidated balance sheet. The Company paid the accrued liability and settled the escrow account prior to the date the financial statements were available to be issued.

NOTE H--CONCENTRATION OF RISK

Cash is maintained at a financial institution, which at times may exceed federally insured limits. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, per financial institution. As of December 31, 2019 and 2018, the amounts on deposit in these

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

accounts exceeded FDIC limits by approximately \$520,000 and \$3,691,000 respectively. To date, no losses have been incurred on any of the Company's cash accounts.