BBX CAPITAL CORP
Form 10-Q
August 14, 2013
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _______ to _______

Commission files number 001-13133

BBX CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

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

(954) 940-4000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

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

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

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

Title of Each Class	Outstanding at August 8, 2013
Class A Common Stock, par value $0.01 per share	15,609,964
Class B Common Stock, par value $0.01 per share	195,045

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED

(In thousands, except share data)		June 30, 2013	December 31, 2012
ASSETS			
Cash and interest bearing deposits in banks ($6,817 and $6,615 in Variable Interest Entity ("VIE"))	$	21,785	62,873
Tax certificates held for sale ($494 in VIE)		494	-
Tax certificates ($892 and $3,389, net of allowance of $435 and $3,559 in VIE)		892	3,389
Loans held for sale ($15,965 and $20,052 in VIE)		18,997	24,748
Loans receivable, net of allowance for loan losses of $5,244 and $5,311 ($179,726 and $242,506, net of allowance of $4,373 and $4,003 in VIE)		227,124	292,562
Investment in Woodbridge Holdings, LLC		80,140	-
Real estate owned ($25,821 and $21,997 in VIE)		73,936	82,161
Properties and equipment, net ($12,726 and $0 in VIE)		13,735	1,096
Other assets ($925 and $1,649 in VIE)		4,928	3,874
Total assets	$	442,031	470,703
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
BB&T preferred interest in FAR, LLC ($154,478 and $196,877 in VIE)	$	154,478	196,877
Note payable to Woodbridge Holdings, LLC		11,750	-
Notes payable		10,400	10,301
Other liabilities ($13,418 and $13,603 in VIE)		20,008	23,201
Total liabilities		196,636	230,379
Commitments and contingencies (Note 10)			
Stockholders' Equity:			
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		-	-

Class A common stock, $.01 par value, authorized 25,000,000 shares; issued and outstanding 15,609,964 and 15,577,464 shares	155	155
Class B common stock, $.01 par value, authorized 1,800,000 shares; issued and outstanding 195,045 and 195,045 shares	2	2
Additional paid-in capital	345,549	331,097
Accumulated deficit	(100,311)	(90,930)
Total stockholders' equity	245,395	240,324
Total liabilities and stockholders' equity	$ 442,031	470,703

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except share and per share data)		For the Three Months Ended June 30, 2013	2012	For the Six Months Ended June 30, 2013	2012
Revenues:					
Interest income	$	2,373	7,287	5,418	15,622
Income from unconsolidated companies		-	119	-	239
Net gains on the sales of assets		2,188	70	4,250	464
Other		393	12	885	96
Total revenues		4,954	7,488	10,553	16,421
Expenses:					
BB&T's priority return in FAR distributions		906	-	1,919	-
Interest expense		334	4,126	503	8,293
Provision for (reversals of) loan losses		172	(627)	931	(1,392)
Employee compensation and benefits		3,092	4,269	6,435	9,528
Occupancy and equipment		489	1,691	731	3,859
Professional fees		1,206	3,239	3,369	9,436
Asset impairments		2,977	824	5,142	2,828
Other		2,069	2,326	4,346	5,400
Total expenses		11,245	15,848	23,376	37,952
Equity earnings in Woodbridge Holdings, LLC		3,442	-	3,442	-
Loss from continuing operations before income taxes		(2,849)	(8,360)	(9,381)	(21,531)
Provision for income taxes		-	-	-	1
Loss from continuing operations		(2,849)	(8,360)	(9,381)	(21,532)
Discontinued operations					
Loss from discontinued operations		-	(3,947)	-	(4,983)
Provision for income taxes		-	-	-	-
Loss from discontinued operations		-	(3,947)	-	(4,983)
Net loss	$	(2,849)	(12,307)	(9,381)	(26,515)
Basic loss per share					
Continuing operations	$	(0.18)	(0.53)	(0.59)	(1.37)
Discontinued operations		-	(0.25)	-	(0.32)
Basic loss per share	$	(0.18)	(0.78)	(0.59)	(1.69)
Diluted loss per share					
Continuing operations	$	(0.18)	(0.53)	(0.59)	(1.37)
Discontinued operations		-	(0.25)	-	(0.32)
Diluted loss per share	$	(0.18)	(0.78)	(0.59)	(1.69)
Basic weighted average number of common shares outstanding		15,805,009	15,700,108	15,795,492	15,679,683
Diluted weighted average number of common and common equivalent shares outstanding		15,805,009	15,700,108	15,795,492	15,679,683

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS - UNAUDITED

(In thousands, except share and per share data)		For the Three Months Ended June 30, 2013	2012	For the Six Months Ended June 30, 2013	2012
Net loss	$	(2,849)	(12,307)	(9,381)	(26,515)
Other comprehensive loss, net of tax:					
Unrealized loss on securities available for sale, net of tax		-	(60)	-	(584)
Reclassification adjustments		-	-	-	-
Other comprehensive loss, net of tax		-	(60)	-	(584)
Comprehensive loss	$	(2,849)	(12,367)	(9,381)	(27,099)

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2013 - UNAUDITED

(In thousands)		Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
BALANCE, DECEMBER 31, 2011	$	156	329,995	(326,692)	(20,385)	(16,926)
Net loss		-	-	(26,515)	-	(26,515)
Other comprehensive loss		-	-	-	(584)	(584)
Share based compensation expense		1	268	-	-	269
BALANCE, JUNE 30, 2012	$	157	330,263	(353,207)	(20,969)	(43,756)
BALANCE, DECEMBER 31, 2012	$	157	331,097	(90,930)	-	240,324
Net loss		-	-	(9,381)	-	(9,381)
Investment in Woodbridge Holdings, LLC		-	13,337	-	-	13,337
Share based compensation expense		-	1,115	-	-	1,115
BALANCE, JUNE 30, 2013	$	157	345,549	(100,311)	-	245,395

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

		For the Six Months Ended June 30,	
(In thousands)		2013	2012
Net cash (used in) provided by operating activities	$	(8,873)	14,856
Investing activities:			
Proceeds from redemption of tax certificates		1,514	22,526
Purchase of tax certificates		(31)	(765)
Proceeds from maturities of securities available for sale		-	12,287
Proceeds from maturities of interest bearing deposits		496	5,655
Redemptions of FHLB stock		-	9,980
Net repayments of loans		41,479	230,632
Proceeds from the sales of loans transferred to held for sale		1,100	1,000
Proceeds from sales of real estate owned		22,496	20,553
Purchases of office property and equipment		(21)	(81)
Proceeds from the sale of office properties and equipment		-	1,168
Investment in real estate joint venture		(1,300)	-
Investment in Woodbridge Holdings, LLC		(60,404)	-
Return of Woodbridge Holdings, LLC investment		5,351	-
Net cash provided by investing activities		10,680	302,955
Financing activities:			
Net increase in deposits		-	170,446
Repayment of BB&T preferred interest in FAR, LLC		(42,399)	-
Net cash (used in) provided by financing activities		(42,399)	170,446
(Decrease) increase in cash and cash equivalents		(40,592)	488,257
Cash and cash equivalents at the beginning of period		62,377	764,636
Change in cash and cash equivalents held for sale		-	(59,431)
Cash and cash equivalents at end of period	$	21,785	1,193,462
Cash paid (received) for:			
Interest on borrowings and deposits	$	2,309	6,583
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to REO		14,086	21,887
Loans transferred to property and equipment		12,834	-

Tax certificates transferred to tax certificates held for sale	494	-
Note payable issued in connection with the investment in Woodbridge Holdings, LLC	11,750	-
Increase in additional paid-in-capital associated with the investment in Woodbridge Holdings, LLC	13,337	-
Loans receivable transferred to loans held-for-sale	-	16,140

See Notes to Consolidated Financial Statements - Unaudited

BBX Capital Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation is referred to herein as the "Parent Company" or "BBX Capital" and, together with its subsidiaries, is referred to as "the Company", "we", "us," or "our". BBX Capital was organized under the laws of the State of Florida in 1994. We are a Florida-based company, involved in the ownership, financing, acquisition, development and management of real estate and real estate related assets and operating businesses. In April 2013, BBX Capital acquired a 46% equity interest in Woodbridge Holdings, LLC ("Woodbridge"). Woodbridge's principal asset is its ownership of Bluegreen Corporation and its subsidiaries ("Bluegreen"). Bluegreen is a vacation ownership company with 170,000 owners and over 61 owned or managed resorts. BFC Financial Corporation ("BFC"), the controlling shareholder of the Company, owns the remaining 54% of Woodbridge.

On May 7, 2013, BBX Capital entered into a definitive merger agreement (the "Merger Agreement") with BFC and BBX Merger Sub, LLC, a newly formed wholly owned subsidiary of BFC ("Merger Sub"). The Merger Agreement provides for BBX Capital to merge with and into Merger Sub (the "Merger"), with Merger Sub continuing as the surviving company of the Merger and a wholly owned subsidiary of BFC. Under the terms of the Merger Agreement, which has been approved by a special committee comprised of the Company's independent directors (the "Special Committee") as well as the full boards of directors of both BFC and the Company, the Company's shareholders (other than BFC and shareholders of the Company who exercise and perfect their appraisal rights in accordance with Florida law) will be entitled to receive 5.39 shares of BFC's Class A Common Stock in exchange for each share of the Company's Class A Common Stock that they hold at the effective time of the Merger (as such exchange ratio may be adjusted in accordance with the terms of the Merger Agreement, the "Exchange Ratio"). Each option to acquire shares of the Company's Class A Common Stock that is outstanding at the effective time of the Merger, whether or not then exercisable, will be converted into an option to acquire shares of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares which may be acquired upon exercise of the option will be multiplied by the Exchange Ratio and the exercise price of the option will be divided by the Exchange Ratio. In addition, each share of the Company's Class A Common Stock subject to a restricted stock award outstanding at the effective time of the Merger will be converted into a restricted share of BFC's Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares subject to the award will be multiplied by the Exchange Ratio. Consummation of the Merger is subject to certain closing conditions, including, without limitation, the approval of BFC's and the Company's respective shareholders, BFC's Class A Common Stock being approved for listing on a national securities exchange (or interdealer quotation system of a registered national securities association) at the effective time of the Merger, holders of not more than 10% of the Company's Common Stock exercising appraisal rights, and the absence of any "Material Adverse Effect" (as defined in the Merger Agreement) with respect to either the Company or BFC.

The Company has two classes of common stock, Class A Common Stock and Class B Common Stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC currently owns 100% of the Company's Class B common stock and 53% of the Company's outstanding Class A common stock, which represents 53% of the Company's aggregate outstanding common stock and 73% of the voting power of the Company's common stock.

BBX Capital's principal asset until July 31, 2012 was its investment in BankAtlantic and its subsidiaries ("BankAtlantic"). BankAtlantic was a federal savings bank headquartered in Fort Lauderdale, Florida and provided traditional retail banking services and a wide range of commercial banking products and related financial services through a broad network of community branches located in Florida. On July 31, 2012, BBX Capital completed the sale to BB&T Corporation ("BB&T") of all of the issued and outstanding shares of capital stock of BankAtlantic (the stock sale and related transactions described below are collectively referred to as the "BB&T Transaction").

Pursuant to the terms of the BB&T Transaction, BankAtlantic formed BBX Capital Asset Management, LLC ("CAM") and Florida Asset Resolution Group, LLC ("FAR"). BankAtlantic contributed to FAR certain performing and non-performing loans, tax certificates and real estate owned that had an aggregate carrying value on BankAtlantic's Consolidated Statement of Financial Condition of approximately $346 million as of July 31, 2012 (the date the BB&T Transaction was consummated). FAR assumed all liabilities related to these assets. BankAtlantic also contributed $50 million of cash to FAR on July 31, 2012. Prior to the closing of the BB&T Transaction, BankAtlantic distributed all of the membership interests in FAR to the Company. At the closing of the BB&T Transaction, the Company transferred to BB&T 95% of the outstanding preferred membership interests in FAR in connection with BB&T's assumption of the Company's then outstanding trust preferred securities ("TruPS") obligations. The Company continues to hold the remaining 5% of FAR's preferred membership interests. BB&T will hold its 95% preferred interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum on any unpaid preference amount. At that time, BB&T's interest in FAR will terminate, and the Company will thereafter be entitled to any and all residual proceeds from FAR through its ownership of FAR's Class R units. The Company entered into an incremental $35 million guarantee in BB&T's favor to further assure BB&T's recovery of the $285 million preferred interest within seven years. At June 30, 2013, BB&T's preferred interest in FAR was approximately $154.5 million. In August 2013, FAR received full payment on a $19.7 million commercial real estate loan which, upon declaration of a dividend by the FAR Board of Managers, will further reduce BB&T's preferred membership interest in FAR.

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

BankAtlantic's historical Community Banking, Investment, Capital Services and Tax Certificate reporting units are reflected as "Discontinued Operations" in the Company's unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2012. The Company has continued to service and manage and may originate commercial loans following the sale of BankAtlantic to BB&T. As a result, the historical operations for BankAtlantic's commercial lending reporting unit are included in the Company's unaudited Consolidated Statement of Operations as continuing operations for the three and six months ended June 30, 2012. The Consolidated Statement of Stockholders' Equity (Deficit), Consolidated Statements of Comprehensive Loss and Consolidated Statement of Cash Flows remain unchanged from the historical presentation for the six months ended June 30, 2012.

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

Included in cash and due from banks in the Company's Consolidated Statement of Financial Condition as of December 31, 2012 was $0.5 million of time deposits with other banks. These time deposits had original maturities of greater than 90 days and accordingly are not considered cash equivalents.

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

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) as are necessary for a fair statement of the Company's consolidated financial condition at June 30, 2013, the consolidated results of operations and consolidated statement of comprehensive loss for the three and six months ended June 30, 2013 and 2012, and the consolidated stockholders' equity (deficit) and cash flows for the six months ended June 30, 2013 and 2012. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of results of operations that may be expected for subsequent interim periods during 2013 or for the year ended December 31, 2013. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Certain amounts for prior years have been reclassified to conform to the revised financial statement presentation for 2013.

Subsequent Events - In June 2013, CAM entered into a settlement agreement with respect to litigation between CAM and Daniel S. Catalfumo and certain members of his family and affiliated entities (collectively, "Catalfumo") relating to the Company's lending relationship with Catalfumo. Pursuant to the terms of the settlement agreement, Catalfumo has agreed to pay CAM $25 million in cash and to transfer to CAM certain properties with an aggregate carrying value of $10.3 million as of June 30, 2013. Interest on the $25 million payment accrues at a rate of 12% per annum from August 5, 2013 through the date of payment. Catalfumo has also agreed to pay CAM an additional $5 million in cash by May 20, 2014. Catalfumo, at its discretion, may elect to make the $5 million payment on or before November 20, 2013. If the $5 million cash payment is not made by November 20, 2013, such payment will accrue interest at a rate of 4.75% per annum from May 20, 2013 through the date of payment. There is no assurance that Catalfumo will make the agreed upon payments and transfers in accordance with the terms of the settlement agreement, or at all. If Catalfumo does not comply with the terms of the settlement agreement CAM would proceed with its litigation against Catalfumo.

2. Acquisitions

On April 2, 2013, the Company invested $71.75 million in Woodbridge in exchange for a 46% equity interest in Woodbridge. The investment was made in connection with Woodbridge's acquisition on April 2, 2013 of the publicly held shares of Bluegreen. BFC holds the remaining 54% of Woodbridge's outstanding equity interests. The Company's investment in Woodbridge consisted of $60.4 million in cash (including $0.4 million in transaction costs) and a promissory note in Woodbridge's favor in the principal amount of $11.75 million (the "Note"). The Note has a term of five years, accrues interest at a rate of 5% per annum and requires the Company to make payments of interest only on a quarterly basis during the term of the Note, with all outstanding amounts being due and payable at the end of the five-year term. In connection with the Company's investment in Woodbridge, the Company and BFC entered into an Amended and Restated Operating Agreement of Woodbridge, which sets forth the Company's and BFC's respective rights as members of Woodbridge and provides, among other things, for unanimity on certain specified "major decisions" and for distributions to be made on a pro rata basis in accordance with the Company's and BFC's percentage equity interests in Woodbridge.

The Company's investment in Woodbridge is accounted for on the equity method. Under the equity method, an investment is shown on the Statement of Financial Condition of an investor as a single amount and an investor's share of earnings or losses from its investment is shown in the Statement of Operations as a single amount. The investment is initially measured at cost and adjusted for the investor's share of the earnings or losses of the investee as well as dividends received from the investee. The investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend.

The Company's investment in Woodbridge was accounted for as a transaction between entities under common control as BFC is the controlling shareholder of the Company and Woodbridge. As a consequence, the investment in Woodbridge was recorded by the Company at BFC's historical costs and the difference between 46% of BFC's historical cost in Woodbridge ($85.1 million) and the amount the Company invested in Woodbridge ($71.75 million) was recognized as an increase in additional paid-in capital ($13.34 million) in the Company's financial statements.

The following are the components of the Company's initial investment in Woodbridge and the adjustments to the investment in Woodbridge under the equity method from the date of the investment (April 2, 2013) through June 30, 2013 (in thousands).

Cash to Woodbridge	$ 60,404
Note payable to Woodbridge	11,750
Increase in additional paid-in capital	13,337
Investment in Woodbridge - April 2, 2013	85,491
Equity earnings in Woodbridge	3,442
Dividends received from Woodbridge	(8,793)
Investment in Woodbridge - June 30, 2013	$ 80,140

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BBX Capital Corporation and Subsidiaries

The following is Woodbridge's summarized Consolidated Statement of Financial Condition as of June 30, 2013:

Woodbridge Holdings, LLC
Consolidated Statements of Financial Condition -Unaudited
(In thousands)

	June 30, 2013
Assets	
Cash and cash equivalents	$ 114,042
Restricted cash	65,529
Notes receivable, net	469,981
Inventory of real estate	193,030
Property and equipment, net	59,557
Intangible assets	64,256
Other assets	69,082
Total assets	$ 1,035,477
Liabilities and Equity	
Accounts payable, accrued liabilities and other	115,879
Deferred tax liability, net	70,204
Receivable-backed notes payable	413,061
Notes and mortgage notes payable	88,504
Junior subordinated debentures	146,118
Total liabilities	833,766
Equity	
Total Woodbridge members' equity	173,387
Note receivable - BBX Capital	(11,750)
Noncontrolling interest	40,074
Total equity	201,711
Total liabilities and shareholders' equity	$ 1,035,477

BBX Capital Corporation and Subsidiaries

The following is Woodbridge's summarized Consolidated Statement of Operations from April 2, 2013 through June 30, 2013:

Woodbridge Holdings, LLC
Consolidated Statements of Operations - Unaudited
(In thousands)

Revenues:	
Total revenues	$ 131,876
Costs and expenses:	
Total costs and expenses	115,381
Other income	358
Income from continuing operations before taxes	16,853
Provision for income taxes	(5,540)
Income from continuing operations	11,313
Discontinued operations:	
(Loss) from discontinued operations, net of taxes	(78)
Net income	11,235
Net income attributable to noncontrolling interest	(3,752)
Net income attributable to Woodbridge	7,483
BBX Capital equity interest in Woodbridge	46%
Equity earnings in Woodbridge	$ 3,442

During April 2013, FAR acquired two climate controlled storage facilities located in Fort Lauderdale, Florida in connection with the foreclosure of loans secured by these properties. FAR decided to retain and, with BBX Capital's assistance, manage these facilities and upon foreclosure recorded the facilities in properties and equipment in the Company's Statement of Financial Condition measured at an estimated aggregate fair value of $12.8 million.

3. Discontinued Operations

BankAtlantic's five reporting units each reflected a component of the BankAtlantic entity and was the lowest level for which cash flows could be clearly distinguished, operationally and for financial reporting purposes. These five components were Community Banking, Commercial Lending, Tax Certificates, Investments, and Capital Services. Based on the terms of the sale of BankAtlantic to BB&T, the Company determined that the Community Banking, Investments, Capital Services and Tax Certificates reporting units should be treated as discontinued operations. The Company sold all operations and the majority of the assets and liabilities of these discontinued reporting units to BB&T upon consummation of the BB&T Transaction on July 31, 2012. Management does not intend to continue in any material respect any activities of or have any continuing involvement with these reporting units. Although certain assets of the Commercial Lending reporting unit were sold to BB&T, the Company has continued Commercial Lending reporting unit activities resulting in the Company including the Commercial Lending reporting unit in continuing operations in the Company's Statements of Operations.

Pursuant to the sale to BB&T, in addition to certain assets associated with the Company's continuing Commercial Lending reporting unit, FAR also retained certain assets and liabilities that were associated with the Company's disposed reporting units (Community Banking, Tax Certificates, Investments, and Capital Services reporting units). The Company determined that the ongoing cash flows relating to the retained assets of the disposed reporting units expected in future periods were not significant relative to the historical cash flows from the activities of each reporting unit; therefore, the income and expenses associated with the disposed reporting units are reported in discontinued operations for the three and six months ended June 30, 2012. The results of operations and cash flows associated with the retained assets associated with the disposed reporting units were included in continuing operations for the three and six months ended June 30, 2013.

BBX Capital Corporation and Subsidiaries

The income from Community Banking, Investments, Capital Services and Tax Certificates reporting units included in discontinued operations for the three and six months ended June 30, 2012 was as follows (in thousands):

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Net interest income	$	14,676	32,149
Provision for loan losses		7,301	16,518
Net interest income after provision for loan losses		7,375	15,631
Total non-interest income		14,733	32,257
Total non-interest expense (1)		26,055	52,871
Loss from discontinued operations before provision for income taxes		(3,947)	(4,983)
Provision for income taxes		-	-
Loss from discontinued operations	$	(3,947)	(4,983)

(1) General corporate overhead was allocated to continuing operations.

4. Variable Interest Entity - FAR

In consideration for BB&T assuming the Company's $285.4 million in principal amount of TruPS, BB&T received from the Company at the closing of the BB&T Transaction a 95% preferred membership interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum. At that time, BB&T's interest in FAR will terminate, and the Company, which initially holds a 5% preferred membership interest in the net cash flows of FAR, will thereafter be entitled to any and all residual proceeds. The Company provided BB&T with an incremental $35 million guarantee to further assure BB&T's recovery of the $285 million preference amount within seven years. At June 30, 2013, BB&T's preferred interest in FAR has been reduced to approximately $154.5 million. In August 2013, FAR received full payment on a $19.7 million commercial real estate loan which, upon declaration of a dividend by the FAR Board of Managers, will further reduce BB&T's preferred membership interest in FAR.

The Company's variable interests in FAR include its 5% preferred membership interest in the cash flows of FAR, rights to all residual cash flows after satisfaction of the preferred membership interests, and the incremental $35 million guarantee in favor of BB&T. The Company also services approximately $20 million of FAR commercial loans, $12.7 million of FAR's properties and equipment and $7.2 million of FAR's real estate owned. The Company has a right of first refusal to acquire certain FAR commercial loans. It can also purchase certain commercial loans on a basis established in FAR's operating agreement.

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

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

The activities of FAR are governed by the amended and restated limited liability company agreement which grants the Board of Managers management authority over FAR. The Board has four members, two members elected by the Company and two members elected by BB&T. Any action on matters before the Board requires three of the members' approval. BB&T members will resign from the Board upon the redemption of its preferred interest in FAR.

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

		June 30, 2013	December 31, 2012
Cash and interest bearing deposits in banks	$	6,817	6,615
Tax certificates held for sale		494	-
Tax certificates, net		892	3,389
Loans held for sale		15,965	20,052
Loans receivable, net		179,726	242,506
Real estate owned		25,821	21,997
Office properties and equipment		12,726	-
Other assets		925	1,649
Total assets	$	243,366	296,208
BB&T preferred interest in FAR, LLC	$	154,478	196,877
Other liabilities		13,418	13,603
Total liabilities	$	167,896	210,480

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

The Company's maximum loss exposure in FAR if all of FAR's assets were deemed worthless would have been $111 million as of June 30, 2013, consisting of $76 million of net assets plus the $35 million incremental guarantee.

5. Liquidity Considerations

The Company's cash at banks was $15.0 million at June 30, 2013. This does not include $6.8 million of cash held in FAR. The Company had $7.3 million of current liabilities as of June 30, 2013. The Company's principal source of liquidity is its cash holdings, funds obtained from payments on and sales of its loans, loan payoffs, sales of real estate owned, income from income producing real estate, and distributions received from FAR and Woodbridge. While FAR is consolidated in the Company's financial statements, the cash held in FAR and generated from its assets will be used primarily to pay FAR's operating expenses and to pay BB&T's 95% preferred membership interest and the related priority return and will generally not be available for distribution to the Company. The balance of BB&T's preferred membership interest in FAR was approximately $155 million at June 30, 2013. Based on current and expected liquidity needs and sources, the Company expects to be able to meet its liquidity needs over the next twelve months.

BBX Capital Corporation and Subsidiaries

6. Fair Value Measurement

There were no assets or liabilities measured at fair value on a recurring basis in the Company's financial statements as of June 30, 2013 or December 31, 2012.

The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2013 (in thousands):

		Fair Value Measurements Using			
Description	June 30, 2013	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairments (1) For the Six Months Ended
Loans measured for impairment using the fair value of the underlying collateral	$ 19,279	-	-	19,279	4,080
Impaired real estate owned	25,076	-	-	25,076	3,776
Impaired loans held for sale	14,653	-	-	14,653	1,190
Total	$ 59,008	-	-	59,008	9,046

(1) Total impairments represent the amount of losses recognized during the six months ended June 30, 2013 on assets that were held and measured at fair value on a non-recurring basis as of June 30, 2013.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured on a non-recurring basis is as follows (dollars in thousands):

As of June 30, 2013 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)
Loans measured for impairment using the fair value of the underlying collateral	$ 19,279	Fair Value of Collateral	Appraisal	$0.1 - 9.0 million (0.4 million)
Impaired real estate owned	25,076	Fair Value of Property	Appraisal	$0.1 - 11.8 million (1.8 million)

Impaired loans held for sale	14,653	Fair Value of Collateral	Appraisal	$0.1 - 2.2 million (0.4 million)
Total	$ 59,008			

(1) Range and average appraised values were reduced by costs to sell.

(2) Average was computed by dividing the aggregate appraisal amounts by the number of appraisals.

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BBX Capital Corporation and Subsidiaries

The following table presents major categories of assets measured at fair value on a non-recurring basis as of June 30, 2012 (in thousands):

		Fair Value Measurements Using			
Description	June 30, 2012	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairments (1) For the Six Months Ended
Impaired real estate owned	$ 27,288	-	-	27,288	3,534
Impaired loans held for sale	9,397	-	-	9,397	459
Total	$ 36,685	-	-	36,685	3,993

(1) Total impairments represent the amount of losses recognized during the six months ended June 30, 2012 on assets that were held and measured at fair value on a non-recurring basis as of June 30, 2012.

Quantitative information about significant unobservable inputs within Level 3 on major categories of assets measured on a non-recurring basis is as follows (dollars in thousands):

As of June 30, 2012 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)
Impaired real estate owned	$ 27,288	Fair Value of Property	Appraisal	$0.4 - 6.5 million (3.0 million)
Impaired loans held for sale	9,397	Fair Value of Collateral	Appraisal	$0.9 - 3.6 million (1.9 million)
Total	$ 36,685			

(1) Range and average appraised values were reduced by costs to sell.

(2) Average was computed by dividing the aggregate appraisal amounts by the number of appraisals.

Loans Measured For Impairment

Impaired loans are generally valued based on the fair value of the underlying collateral less cost to sell. The fair value of our loans may significantly increase or decrease based on changes in property values as our loans are primarily secured by real estate. The Company primarily uses third party appraisals to assist in measuring non-homogenous impaired loans. These appraisals generally use the market or income approach valuation technique and use market observable data to formulate an opinion of the fair value of the loan’s collateral. However, the appraiser uses professional judgment in determining the fair value of the collateral or properties, and we may also adjust these values for changes in market conditions subsequent to the appraisal date. When current appraisals are not available for certain loans, we use our judgment on market conditions to adjust the most current appraisal. The sales prices may reflect prices of sales contracts not closed, and the amount of time required to sell out the real estate project may be derived from current appraisals of similar projects. The Company generally recognizes impairment losses on homogenous loans based on third party broker price opinions or automated valuation services to obtain the fair value of the collateral less cost to sell when impaired homogenous loans become 120 days delinquent. These third party valuations from real estate professionals also use Level 3 inputs in determining fair values. The observable market inputs used to fair value loans include comparable property sales, rent rolls, market capitalization rates on income producing properties, risk adjusted discounts rates and foreclosure timeframes and exposure periods. As a consequence, the calculation of the fair value of the collateral is considered Level 3 inputs.

Impaired Real Estate Owned

Real estate is generally valued using third party appraisals or broker price opinions. These appraisals generally use the market approach valuation technique and use market observable data to formulate an opinion of the fair value of the properties. The market observable data typically consists of comparable property sales, rent rolls, market capitalization rates on income producing properties and risk adjusted discount rates. However, the appraisers or brokers use professional judgments in determining the fair value of the properties and we may also adjust these values for changes in market conditions subsequent to the valuation date. As a consequence of using appraisals, broker price opinions and adjustments to appraisals, the fair values of the properties are considered Level 3 inputs.

Loans Held for Sale

Loans held for sale are valued using an income approach with Level 3 inputs as market quotes or sale transactions of similar loans are generally not available. The fair value is estimated by discounting forecasted cash flows, using a discount rate that reflects the risks inherent in the loans held for sale portfolio. For non-performing loans held for sale, the forecasted cash flows are based on the estimated fair value of the collateral less cost to sell adjusted for foreclosure expenses and other operating expenses of the underlying collateral until foreclosure or sale.

Financial Disclosures about Fair Value of Financial Instruments

				Fair Value Measurements Using		
(in thousands) Description		Carrying Amount As of June 30, 2013	As of June 30, 2013	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:						
Cash and interest bearing deposits in banks	$	21,785	21,785	21,785	-	-
Tax certificates including tax certificates held for sale, net		1,386	1,438	-	-	1,438
Loans receivable including loans held for sale, net		246,121	269,533	-	-	269,533
Financial liabilities:						
Notes payable		10,400	11,250	-	-	11,250
Note Payable Woodbridge		11,750	11,385			11,385
BB&T preferred interest in FAR		154,478	156,846	-	-	156,846

(in thousands) Description	Carrying Amount As of December 31, 2012	As of December 31, 2012	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)
Financial assets:					
Cash and interest bearing deposits in other banks	$ 62,873	62,873	62,873	-	-
Tax certificates	3,389	3,318	-	-	3,318
Loans receivable including loans held for sale, net	317,310	316,075	-	-	316,075
Financial liabilities:					
Notes payable	10,301	10,301	-	-	10,301
BB&T preferred interest in FAR	196,877	201,099	-	-	201,099

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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, management has derived the fair value of the majority of these financial instruments using the income approach technique with Level 3 unobservable inputs. Management estimates used in its net present value financial models rely on assumptions and judgments regarding issues where the outcome is unknown and actual results or values may differ significantly from these estimates. The Company's 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 Company may not receive the estimated value upon sale or disposition of the asset or pay the estimated value upon disposition of the liability in advance of its scheduled maturity.

Interest-bearing deposits in other banks include $0.5 million of certificates of deposits guaranteed by the FDIC with maturities of less than one year as of December 31, 2012. Due to the FDIC guarantee and the short-term maturity of these certificates of deposit, the fair value of these deposits approximates the carrying value.

Fair values are estimated for loan portfolios with similar financial characteristics. Loans are segregated by category, and each loan category is further segmented into performing and non-performing categories.

The fair value of performing loans is calculated by using an income approach with Level 3 inputs. The fair value of performing loans is estimated by discounting forecasted cash flows through the estimated maturity using estimated market discount rates that reflect the interest rate risk inherent in the loan portfolio. The fair value of non-performing collateral dependent loans is estimated using an income approach with Level 3 inputs. The fair value of non-performing loans utilizes the fair value of the collateral adjusted for operating and selling expenses and discounted over the estimated holding period.

The fair value of tax certificates is calculated using the income approach with Level 3 inputs. The fair value is based on discounted expected cash flows using discount rates that take into account the risk of the cash flows of tax certificates relative to alternative investments.

BB&T preferred interest in FAR is considered an adjustable rate debt security. The fair value of the security is calculated using the income approach with Level 3 inputs and was obtained by discounting forecasted cash flows by risk adjusted market interest rate spreads to the LIBOR swap curve. The market spreads were obtained from reference data in the secondary institutional market place.

The fair value of notes payable and note payable-Woodbridge were measured using the income approach with Level 3 inputs and was obtained by discounting the forecasted cash flows based on risk adjusted market interest rates.

BBX Capital Corporation and Subsidiaries

7. Loans Receivable

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

	June 30, 2013	December 31, 2012
Commercial non-real estate	$ 10,165	12,006
Commercial real estate:		
Residential	44,893	62,523
Other	113,526	151,524
Consumer	14,573	16,907
Residential:		
Residential-interest only	16,269	17,798
Residential-amortizing	32,805	36,999
Total gross loans	232,231	297,757
Adjustments:		
Premiums, discounts and net deferred fees	137	116
Allowance for loan losses	(5,244)	(5,311)
Loans receivable -- net	$ 227,124	292,562

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

Loan Class	June 30, 2013	December 31, 2012
Commercial non-real estate	$ 3,341	3,362
Commercial real estate:		
Residential	43,754	60,937
Other	61,585	79,014
Consumer	6,168	7,859
Residential:		
Interest only	15,254	16,115

Amortizing	28,457	28,507
Total nonaccrual loans	$ 158,559	195,794

BBX Capital Corporation and Subsidiaries

An age analysis of the past due recorded investment in loans receivable as of June 30, 2013 and December 31, 2012 was as follows (in thousands):

June 30, 2013		31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$	-	-	2,269	2,269	7,896	10,165
Commercial real estate:							
Residential		62	114	32,454	32,630	12,263	44,893
Other		9,215	-	38,209	47,424	66,102	113,526
Consumer		844	180	5,494	6,518	8,055	14,573
Residential:							
Residential-interest only		-	43	14,127	14,170	2,099	16,269
Residential-amortizing		705	691	23,515	24,911	7,894	32,805
Total	$	10,826	1,028	116,068	127,922	104,309	232,231

(1) The Company had no loans that were past due greater than 90 days and still accruing interest as of June 30, 2013.

December 31, 2012		31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$	2,411	-	3,362	5,773	6,233	12,006
Commercial real estate:							
Residential		842	1,716	50,634	53,192	9,331	62,523
Other		-	5,843	30,102	35,945	115,579	151,524
Consumer		677	524	7,165	8,366	8,541	16,907
Residential:							
Residential-interest only		397	-	16,115	16,512	1,286	17,798
Residential-amortizing		984	1,520	28,052	30,556	6,443	36,999
Total	$	5,311	9,603	135,430	150,344	147,413	297,757

(1) The Company had no loans that were past due greater than 90 days and still accruing interest as of December 31, 2012.

BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended June 30, 2013 was as follows (in thousands):

		Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:							
Beginning balance	$	1,196	1,437	-	1,993	623	5,249
Charge-off :		-	(2,509)	-	(911)	(59)	(3,479)
Recoveries :		84	1,870	42	559	747	3,302
Provision:		104	174	(42)	1,084	(1,148)	172
Ending balance	$	1,384	972	-	2,725	163	5,244
Ending balance individually evaluated for impairment	$	822	461	-	-	-	1,283
Ending balance collectively evaluated for impairment		562	511	-	2,725	163	3,961
Total	$	1,384	972	-	2,725	163	5,244
Loans receivable:							
Ending balance individually evaluated for impairment	$	3,341	135,249	-	4,563	38,374	181,527
Ending balance collectively evaluated for impairment	$	6,824	23,170	-	10,010	10,700	50,704
Total	$	10,165	158,419	-	14,573	49,074	232,231
Purchases of loans	$	-	-	-	-	-	-
Proceeds from loan sales	$	-	1,100	-	-	-	1,100
Transfer to loans held for sale	$	-	-	-	-	-	-
Transfer from loans held for sale	$	-	-	-	-	-	-

BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended June 30, 2012 was as follows (in thousands):

	Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:						
Beginning balance	$ 1,359	4,212	1,020	366	210	7,167
Charge-offs:	-	(1,778)	(748)	(849)	(1,547)	(4,922)
Recoveries :	386	1,631	128	236	281	2,662
Provision :	(945)	318	-	-	-	(627)
Discontinued operations provision:	-	-	926	654	1,293	2,873
Transfer to loans held for sale	-	-	-	-	-	-
Ending balance	$ 800	4,383	1,326	407	237	7,153
Ending balance individually evaluated for impairment	$ 237	1,265	790	-	-	2,292
Ending balance collectively evaluated for impairment	563	3,118	536	407	237	4,861
Total	$ 800	4,383	1,326	407	237	7,153
Loans receivable:						
Ending balance individually evaluated for impairment	$ 7,361	194,168	957	7,907	40,331	250,724
Ending balance collectively evaluated for impairment	$ 20,806	39,502	30,761	12,081	8,811	111,961
Total	$ 28,167	233,670	31,718	19,988	49,142	362,685
Purchases of loans	$ -	-	-	-	-	-
Proceeds from loan sales	$ -	-	-	-	-	-
Transfer to loans held for sale	$ -	-	-	-	-	-

BBX Capital Corporation and Subsidiaries

The activity in allowance for loan losses by portfolio segment for the six months ended June 30, 2013 was as follows (in thousands):

		Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:							
Beginning balance	$	1,735	1,869	-	1,261	446	5,311
Charge-off :		-	(3,688)	-	(1,287)	(448)	(5,423)
Recoveries :		255	2,147	116	1,017	890	4,425
Provision :		(606)	644	(116)	1,734	(725)	931
Ending balance	$	1,384	972	-	2,725	163	5,244
Proceeds from loan sales	$	-	-	-	-	-	-
Transfer to held for sale	$	-	1,100	-	-	-	1,100
Transfer from loans held for sale	$	-	-	-	-	-	-

The activity in the allowance for loan losses by portfolio segment for the six months ended June 30, 2012 was as follows (in thousands):

		Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:							
Beginning balance	$	16,407	67,054	7,168	22,554	16,704	129,887
Charge-off :		(14,615)	(53,281)	(2,372)	(7,413)	(11,756)	(89,437)
Recoveries :		440	1,631	270	1,031	1,277	4,649
Provision :		465	(1,857)	-	-	-	(1,392)
Transfer to held for sale:		(1,897)	(9,164)	(4,454)	(20,639)	(12,491)	(48,645)

Discontinued operations provision:	-	-	714	4,874	6,503	12,091
Ending balance	$ 800	4,383	1,326	407	237	7,153
Purchases of loans	$ -	-	-	-	-	-
Proceeds from loan sales	$ -	1,000	-		-	1,000
Transfer to held for sale	$ -	16,140	-	-	-	16,140

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During the first quarter of 2012 the Company charged down the recorded investment of loans by $66.5 million to the fair value of the collateral less cost to sell based on OCC guidance to thrifts regarding specific valuation allowances on collateral dependent loans. This charge down consisted entirely of the charging off of existing specific valuation allowances. As a specific valuation allowance was previously established for these loans, the charge-offs did not impact the provision for loan losses or the net loss during the three months ended March 31, 2012, but did reduce the Company's allowance for loan losses and recorded investment in the loans.

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

BBX Capital Corporation and Subsidiaries

Impaired loans as of June 30, 2013 and December 31, 2012 were as follows (in thousands):

	As of June 30, 2013			As of December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:						
Commercial non-real estate	$ 3,011	4,475	822	3,032	3,287	784
Commercial real estate:						
Residential	2,746	8,223	49	637	2,172	1
Other	19,744	19,744	412	27,558	39,194	836
Consumer	1,605	4,091	1,605	-	-	-
Residential:						
Residential-interest only	-	-	-	-	-	-
Residential-amortizing	-	-	-	-	-	-
Total with allowance recorded	$ 27,106	36,533	2,888	31,227	44,653	1,621
With no related allowance recorded:						
Commercial non-real estate	$ 330	635	-	330	634	-
Commercial real estate:						
Residential	41,122	87,782	-	64,684	141,842	-
Other	71,751	100,416	-	84,669	118,665	-
Consumer	12,280	14,732	-	16,050	20,501	-
Residential:						
Residential-interest only	15,254	26,669	-	16,421	28,808	-
Residential-amortizing	29,876	45,884	-	31,896	48,820	-
Total with no allowance recorded	$ 170,613	276,118	-	214,050	359,270	-
Total:						
Commercial non-real estate	$ 3,341	5,110	822	3,362	3,921	784
Commercial real estate	135,363	216,165	461	177,548	301,873	837
Consumer	13,885	18,823	1,605	16,050	20,501	-
Residential	45,130	72,553	-	48,317	77,628	-
Total	$ 197,719	312,651	2,888	245,277	403,923	1,621

BBX Capital Corporation and Subsidiaries

Average recorded investment and interest income recognized on impaired loans for the three and six months ended June 30, 2013 were (in thousands):

	For the Three Months Ended June 30, 2013		For the Six Months Ended June 30, 2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:				
Commercial non-real estate	$ 3,023	24	3,028	84
Commercial real estate:				
Residential	2,746	-	3,036	-
Other	19,777	154	24,577	350
Consumer	1,870	-	1,011	-
Residential:				
Residential-interest only	-	-	-	-
Residential-amortizing	-	-	-	-
Total with allowance recorded	$ 27,416	178	31,652	434
With no related allowance recorded:				
Commercial non-real estate	$ 330	-	330	-
Commercial real estate:				
Residential	42,873	75	42,467	313
Other	74,069	218	78,032	673
Consumer	12,493	66	14,032	142
Residential:				
Residential-interest only	15,226	28	15,123	28
Residential-amortizing	29,852	137	29,878	233
Total with no allowance recorded	$ 174,843	524	179,862	1,389
Commercial non-real estate	$ 3,353	24	3,358	84
Commercial real estate	139,465	447	148,112	1,336
Small business	-	-	-	-
Consumer	14,363	66	15,043	142
Residential	45,078	165	45,001	261
Total	$ 202,259	702	211,514	1,823

BBX Capital Corporation and Subsidiaries

Average recorded investment and interest income recognized on impaired loans for the three and six months ended June 30, 2012 were (in thousands)

	For the Three Months Ended June 30, 2012		For the Six Months Ended June 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:				
Commercial non-real estate	$ 1,187	-	1,183	-
Commercial real estate:				
Residential	8,136	73	10,309	150
Other	35,361	251	35,447	503
Small business:				
Real estate	-	-	-	-
Non-real estate	958	-	959	-
Consumer	-	-	-	-
Residential:				
Residential-interest only	-	-	-	-
Residential-amortizing	-	-	-	-
Total with allowance recorded	$ 45,642	324	47,898	653
With no related allowance recorded:				
Commercial non-real estate	$ 6,954	62	6,413	80
Commercial real estate:				
Residential	59,357	139	68,429	365
Other	131,434	604	142,944	1,205
Small business:				
Real estate	10,659	109	10,693	215
Non-real estate	752	10	760	22
Consumer	19,140	82	19,340	163
Residential:				
Residential-interest only	22,812	-	21,128	-
Residential-amortizing	39,030	32	38,877	64
Total with no allowance recorded	$ 290,138			