BLUEGREEN CORP
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

or

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

For the transition period from ____________________ to ____________________

Commission File Number: 0-19292

Bluegreen Corporation
(Exact name of registrant as specified in its charter)

Massachusetts	03-0300793
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4960 Conference Way North, Suite 100, Boca Raton, Florida	33431
(Address of principal executive offices)	(Zip Code)

(561) 912-8000
(Registrant's telephone number, including area code)

(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 (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 |X| No |_|

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

Large accelerated filer |_| Accelerated filer |X| Non-accelerated filer |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes |_| No |X|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 6, 2007, there were 31,199,528 shares of the registrant's common stock, $0.01 par value, outstanding.

BLUEGREEN CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q

PART I - FINANCIAL INFORMATION

TRADEMARKS

The terms "Bluegreen(R)," "Bluegreen Communities(R)," "Bluegreen Vacation Club(R)," "Colorful Places To Live And Play(R)," "You're Going To Like What You See!(R)," "Encore Rewards(R)," "Outdoor Traveler Logo(R)," and the "Bluegreen Logo(R)" are registered in the U.S. Patent and Trademark Office by Bluegreen Corporation.

The terms "The Hammocks at Marathon(TM)," "Orlando's Sunshine Resort(TM)," "Solara Surfside(TM)," "Mountain Run at Boyne(TM)," "The Falls Village(TM)," "Bluegreen Wilderness Club(TM)," "The Lodge Alley Inn(TM)," "Carolina Grande(TM)," "Harbour Lights(TM)," "Patrick Henry Square(TM)," "SeaGlass Tower(TM)," "Shore Crest Vacation Villas(TM)," "Laurel Crest(TM)," "MountainLoft(TM)," "Daytona SeaBreeze(TM)," "Shenandoah Crossing(TM)," "Christmas Mountain Village(TM)," "Traditions of Braselton(TM)," "Sanctuary Cove at St. Andrews Sound(TM)," "Catawba Falls Preserve(TM)," "Mountain Lakes Ranch(TM)," "Silver Lakes Ranch(TM)," "Mystic Shores(TM)," "Lake Ridge at Joe Pool Lake(TM)," "Ridge Lake Shores(TM)," "Mountain Springs Ranch(TM)," "Havenwood at Hunter's CrossingTM," "Vintage Oaks at the Vineyard(TM)," "The Bridges at Preston Crossings(TM)," "Saddle Creek Forest(TM)," "The Settlement at Patriot Ranch(TM)," "Carolina National(TM)," "Brickshire(TM)," "Golf Club at Brickshire(TM)," "Preserve at Jordan Lake(TM)," "Encore Dividends(TM)," Bluegreen Preferred(TM)," and "Bluegreen Traveler Plus(TM)," are trademarks or service marks of Bluegreen Corporation in the United States.

The terms "Big Cedar(R)" and "Bass Pro Shops(R)" are registered in the U.S. Patent and Trademark Office by Bass Pro Trademarks, LP.

The term "World Golf Village(R)" is registered in the U.S. Patent and Trademark Office by World Golf Foundation, Inc. All other marks are registered marks of their respective owners.

3

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BLUEGREEN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2006
ASSETS	
Cash and cash equivalents (including restricted cash of $21,476 and $26,675 at December 31, 2006 and June 30, 2007, respectively)	$ 71,148
Contracts receivable, net	23,856
Notes receivable (net of allowance of $13,499 and $23,902 at December 31, 2006 and June 30, 2007, respectively)	144,251
Prepaid expenses	10,800
Other assets	27,465
Inventory, net	349,333
Retained interests in notes receivable sold	130,623
Property and equipment, net	92,445
Goodwill	4,291
Total assets	$ 854,212

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities		
Accounts payable	$	18,465
Accrued liabilities and other		49,458
Deferred income		40,270
Deferred income taxes		87,624
Receivable-backed notes payable		21,050
Lines-of-credit and notes payable		124,412
10.50% senior secured notes payable		55,000
Junior subordinated debentures		90,208
Total liabilities		486,487
Minority interest		14,702
Commitments and contingencies		
Shareholders' Equity		
Preferred stock, $.01 par value, 1,000 shares authorized; none issued		--
Common stock, $.01 par value, 90,000 shares authorized; 33,603 and 33,741 shares issued at December 31, 2006 and June 30, 2007, respectively		336
Additional paid-in capital		175,164
Treasury stock, 2,756 common shares at both December 31, 2006 and June 30, 2007, at cost		(12,885)
Accumulated other comprehensive income, net of income taxes		12,632
Retained earnings		177,776
Total shareholders' equity		353,023
Total liabilities and shareholders' equity	$	854,212

Note: The condensed consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

4

BLUEGREEN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007
Revenues:		
Gross sales of real estate	$ 157,239	$ 158,50
Estimated uncollectible VOI notes receivable	(15,292)	(15,23

Sales of real estate	141,947	143,27
Other resort and communities operations revenue	13,620	15,59
Interest income	9,499	12,10
Gain on sales of notes receivable	47	-
Other income, net	837	-
	165,950	170,97
Costs and expenses:		
Cost of real estate sales	49,022	46,30
Cost of other resort and communities operations	12,937	11,85
Selling, general and administrative expenses	88,089	98,45
Interest expense	3,526	5,88
Other expense, net	--	24
	153,574	162,73
Income before minority interest and provision for income taxes	12,376	8,23
Minority interest in income of consolidated subsidiary	1,677	1,63
Income before provision for income taxes and change in accounting principle	10,699	6,60
Provision for income taxes	4,119	2,50
Net income	$ 6,580	$ 4,09
Net income per common share:		
Basic	$ 0.22	$ 0.1
Diluted	$ 0.21	$ 0.1
Weighted average number of common and common equivalent shares:		
Basic	30,526	30,92
Diluted	31,054	31,27

See accompanying notes to condensed consolidated financial statements.

BLUEGREEN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Six Month June
	2006
Revenues:	

Gross sales of real estate	$ 289,629
Estimated uncollectible VOI notes receivable	(25,922)
Sales of real estate	263,707
Other resort and communities operations revenue	30,287
Interest income	17,672
Gain on sales of notes receivable	552
Other income, net	690
	312,908
Costs and expenses:	
Cost of real estate sales	94,244
Cost of other resort and communities operations	29,717
Selling, general and administrative expenses	162,162
Interest expense	6,832
Other expense, net	--
	292,955
Income before minority interest and provision for income taxes	19,953
Minority interest in income of consolidated subsidiary	2,699
Income before provision for income taxes and change in accounting principle	17,254
Provision for income taxes	6,643
Income before cumulative effect of change in accounting principle	10,611
Cumulative effect of change in accounting principle, net of tax	(5,678)
Minority interest in income of cumulative effect of change in accounting principle	1,184
Net income	$ 6,117
Income before cumulative effect of change in accounting principle per common share:	
Basic	$ 0.35
Diluted	$ 0.34
Cumulative effect of change in accounting principle, net of tax and net of minority interest in income of cumulative effect of change in accounting principle per common share:	
Basic	$ (0.15)
Diluted	$ (0.14)
Net income per common share:	
Basic	$ 0.20
Diluted	$ 0.20
Weighted average number of common and common equivalent shares:	
Basic	30,519
Diluted	31,089

See accompanying notes to condensed consolidated financial statements.

BLUEGREEN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months E June 30,
	2006
	(restated)
Operating activities:	
Net income	$ 6,117
Adjustments to reconcile net income to net cash used in operating activities:	
Cumulative effect of change in accounting principle, net	5,678
Non-cash stock compensation expense	917
Minority interest in income of consolidated subsidiary	1,515
Depreciation and amortization	8,101
Gain on sale of notes receivable	(9,707)
Loss on sale of property and equipment	76
Provision for loan losses	25,922
Provision for deferred income taxes	6,643
Interest accretion on retained interests in notes receivable sold	(5,184)
Proceeds from sales of notes receivable	51,789
Change in operating assets and liabilities:	
Contracts receivable	(12,944)
Notes receivable	(121,332)
Inventory	(15,287)
Prepaid expenses and other assets	(9,761)
Accounts payable, accrued liabilities and other	15,385
Net cash used in operating activities	(52,072)
Investing activities:	
Purchases of property and equipment	(13,138)
Investment in statutory business trust	(464)
Cash received from retained interests in notes receivable sold	14,969
Net cash provided (used) by investing activities	1,367
Financing activities:	
Proceeds from borrowings collateralized by notes receivable	29,732
Payments on borrowings collateralized by notes receivable	(9,989)
Borrowings under lines-of-credit facilities and other notes payable	35,169
Payments under lines-of-credit facilities and other notes payable	(31,225)
Proceeds from issuance of junior subordinated debentures	15,464
Payment of debt issuance costs	(2,686)
Proceeds from exercise of stock options	173
Net cash provided by financing activities	36,638
Net (decrease) increase in cash and cash equivalents	(14,067)
Cash and cash equivalents at beginning of period	84,704

Cash and cash equivalents at end of period	70,637	
Restricted cash and cash equivalents at end of period	(26,818)	
Unrestricted cash and cash equivalents at end of period	$ 43,819	$

See accompanying notes to condensed consolidated financial statements.

BLUEGREEN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2006 (restated)	200
Supplemental schedule of non-cash operating, investing, and financing activities:		
Inventory acquired through financing	$ 71,447	$ 12,
Property and equipment acquired through financing	$ 4,460	$
Retained interests in notes receivable sold	$ 6,479	$ 5,
Net change in unrealized gains in retained interests in notes receivable sold	$ (1,995)	$ (2,

See accompanying notes to condensed consolidated financial statements.

BLUEGREEN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007
(Unaudited)

1. Organization and Significant Accounting Policies

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

The financial information furnished herein reflects all adjustments consisting of normal recurring items that, in our opinion, are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The results of operations for the three and six months ended June 30, 2007, are not necessarily indicative of the results to be expected for the year ending December 31, 2007. Subsequent to the issuance of our March 31, 2007 condensed consolidated financial statements, our management determined that certain information in the consolidated statements of cash flows should be restated for all periods presented to conform with Statement of Financial Accounting Standards ("SFAS") No. 95, Statement of Cash Flows, in response to comments of the Staff of the Securities and Exchange Commission (the "SEC"). We have restated the financial statements and corresponding financial information to correctly reflect the classification of borrowings collateralized by notes receivable as cash flows from financing activities. We had previously reported these cash flows as operating activities as the majority of Bluegreen Resorts' sales result in the origination of notes receivable from its customers; and, accelerating the conversion of such notes receivable into cash, either through the pledge or sale of our notes receivable, on a regular basis is an integral function of our operations. We will continue to include the proceeds from sales of notes receivable as cash flows from operations consistent with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, and SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions. For further information, refer to our audited consolidated financial statements for the year ended December 31, 2006, which are included in our 2006 Annual Report on Form 10-K/A ("Annual Report").

Organization

We provide Colorful Places to Live and Play(R) through our resorts and residential communities businesses. Our resorts business ("Bluegreen Resorts") acquires, develops, markets, sells and manages real estate-based vacation ownership interests ("VOIs") in resorts generally located in popular, high-volume, "drive-to" vacation destinations. VOIs in our resorts typically entitle the buyer to use resort accommodations through an annual or biennial allotment of "points" which represent their ownership and beneficial use rights in perpetuity in our Bluegreen Vacation Club (supported by an underlying deeded VOI held in trust for the buyer). Depending on the extent of their ownership and beneficial rights, members in our Bluegreen Vacation Club may stay in any of our participating resorts or take advantage of other vacation options, including cruises and stays at approximately 3,700 resorts offered primarily by a third-party world-wide vacation ownership exchange network. We are currently marketing and selling VOIs in 21 resorts located in the United States and Aruba, 21 of which have active sales offices. We also sell VOIs at seven off-site sales offices and on the campuses of two resorts under development located in the United States. Our residential communities business ("Bluegreen Communities") acquires, develops and subdivides property and markets residential homesites, the majority of which are sold directly to retail customers who seek to build a home in a high quality residential setting, in some cases on properties featuring a golf course and other related amenities. During the six months ended June 30, 2007, sales recognized by Bluegreen Resorts comprised approximately 73% of our total sales of real estate while sales recognized by Bluegreen Communities comprised approximately 27% of our total sales of real estate. Our other resort and communities operations revenues consist primarily of resort property management services, resort title services, resort amenity operations, non-cash sales incentives provided to buyers of VOIs, rental brokerage services, realty operations and daily-fee golf course operations. We also generate significant interest income by providing financing to individual purchasers of VOIs.

Principles of Consolidation

Our consolidated financial statements include the accounts of all of our wholly-owned subsidiaries and entities in which we hold a controlling financial interest. The only non-wholly owned subsidiary that we consolidate is Bluegreen/Big Cedar Vacations, LLC (the "Joint Venture"), as we hold a 51% equity interest in the Joint Venture, have an active role as the day-to-day manager of the Joint Venture's activities, and have majority voting control of the Joint Venture's management committee. Additionally, we do not consolidate our wholly-owned statutory business trusts (see Note 4) formed to issue trust preferred securities as these entities are each variable interest entities in which we are not the primary beneficiary as defined by Financial Accounting Standards Board ("FASB") Interpretation No. 46R ("FIN No. 46R"). The statutory business trusts are accounted for under the equity method of accounting. We have eliminated all significant intercompany balances and transactions.

Use of Estimates

United States generally accepted accounting principles require us to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

We have made certain reclassifications of prior period amounts to conform to the current period presentation.

Earnings Per Common Share

We compute basic earnings per common share by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per common share is computed in the same manner as basic earnings per share, but also gives effect to all dilutive stock options using the treasury stock method. During the six months ended June 30, 2007 a total of 138,313 common shares were issued as a result of stock option exercises. There were approximately 1.2 million stock options not included in diluted earnings per common share during the three and six months ended June 30, 2007, respectively, as the effect would be anti-dilutive. There were approximately 0.8 million stock options not included in diluted earnings per common share during the three and six months ended June 30, 2006, as the effect would be anti-dilutive.

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

	Three Months En June 30,	
	2006	2
Basic and diluted earnings per share - numerator:		
Net income	$ 6,580	$
Denominator:		
Denominator for basic earnings per share - weighted-average shares	30,526	3

Effect of dilutive securities:		
Stock options	528	
Denominator for diluted earnings per share - adjusted weighted-average shares	31,054	3
Basic earnings per common share	$ 0.22	$
Diluted earnings per common share	$ 0.21	$

Retained Interests in Notes Receivable Sold

When we sell our notes receivable either pursuant to our VOI receivables purchase facilities (more fully described in Note 2) or through term securitizations, we evaluate whether or not such transfers should be accounted for as a sale pursuant to Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("SFAS No. 140") and related interpretations. The evaluation of sale treatment under SFAS No. 140 involves legal assessments of the transactions, which include

10

determining whether the transferred assets have been isolated from us (i.e., put presumptively beyond our reach and our creditors, even in bankruptcy or other receivership), determining whether each transferee has the right to pledge or exchange the assets it received, and ensuring that we do not maintain effective control over the transferred assets through either an agreement that (1) both entitles and obligates us to repurchase or redeem the assets before their maturity or (2) provides us with the ability to unilaterally cause the holder to return the assets (other than through a cleanup call).

In connection with such transactions, we retain subordinated tranches, rights to excess interest spread and servicing rights, all of which are retained interests in the notes receivable sold. Gain or loss on the sale of the receivables depends in part on the allocation of the previous carrying amount of the financial assets involved in the transfer between the assets sold and the retained interests based on their estimated relative fair value at the date of transfer.

We consider our retained interests in notes receivable sold as available-for-sale investments and, accordingly, carry them at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Unrealized holding gains or losses on our retained interests in notes receivable sold are included in our shareholders' equity, net of income taxes. Declines in fair value that are determined to be other than temporary are charged to operations.

We measure the fair value of the retained interests in the notes receivable sold initially and on a quarterly basis based on the present value of future expected cash flows estimated using our best estimates of the key assumptions - prepayment rates, loss severity rates, default rates and discount rates commensurate with the risks involved. Interest on the retained interests in notes receivable sold is accreted using the effective yield method.

Allowance for Uncollectible Notes Receivable

The table below sets forth the activity in our allowance for uncollectible notes receivable for the six months ended June 30, 2007 (in thousands):

Balance, December 31, 2006	$ 13,499
Provision for loan losses (1)	26,614
Less: Allowance on sold receivables	(8,191)
Less: Write-offs of uncollectible receivables	(8,020)
Balance, June 30, 2007	$ 23,902

(1) Includes provision for loan losses on homesite notes receivable

Stock-Based Compensation

We recognize stock-based compensation expense under the provisions of SFAS No. 123R, Share-Based Payment (revised 2004) ("SFAS No. 123R"), which we adopted January 1, 2006, utilizing the modified prospective method.

We utilize the Black-Scholes option pricing model for calculating the fair value of each option granted. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, this model requires the input of subjective assumptions, including the expected price volatility of the underlying stock. Projected data related to the expected volatility and expected life of stock options is based upon historical and other information. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore, the existing valuation models do not provide a precise measure of the fair value of our employee stock options. Additionally, SFAS No. 123R also requires us to estimate forfeitures in calculating the expense relating to stock-based compensation.

Total compensation costs related to stock-based compensation charged against income during the three and six months ended June 30, 2006 was $0.4 million and $0.9 million, respectively. Total compensation costs related to stock-based compensation charged against income during the three and six months ended June 30, 2007, was $0.5 million and $1.2 million, respectively. There were no stock options granted during the three and six months ended June 30, 2006 or 2007. As of June 30, 2007, there was $6.3 million of total unrecognized compensation cost related

11

to unvested stock-based compensation arrangements, which is expected to be recognized over a weighted average period of approximately 3.6 years.

On July 18, 2007, stock options to acquire an aggregate of approximately 136,000 shares of common stock were granted to certain of our non-employee directors at an exercise price of $11.98, which was equal to the closing price of our common stock on the date of grant. Additionally, on July 18, 2007 we granted approximately 213,500 shares of restricted stock to certain of our non-employee directors and employees. A total of 16,694 shares of restricted stock were granted to directors and vest ratably over twelve months. The remaining restricted shares were granted to employees and vest at the end of 5 years.

Comprehensive Income

Accumulated other comprehensive income on our condensed consolidated balance sheets is comprised of net unrealized gains on retained interests in notes receivable sold, which are held as available-for-sale investments. The following table discloses the components of our comprehensive income for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months En June 30,	
	2006	2007	2006	2
Net income	$ 6,580	4,092	$ 6,117	$ 9
Change in net unrealized gains on retained interests in notes receivable sold, net of income taxes	(2,058)	(1,548)	(1,204)	(1
Total comprehensive income	$ 4,522	$ 2,544	$ 4,913	$ 7

Cumulative Effect of Change in Accounting Principle from the Adoption of SFAS No. 152

Effective January 1, 2006, we adopted SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions ("SFAS No. 152"). This statement amends SFAS No. 66, Accounting for Sales of Real Estate, and SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, in association with the issuance of American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 04-2, Accounting for Real Estate Time-Sharing Transactions. SFAS No. 152 was issued to address the diversity in practice resulting from a lack of guidance specific to the timeshare industry. Among other things, the new standard addresses the treatment of sales incentives provided by a seller to a buyer to consummate a transaction, the calculation of and presentation of uncollectible notes receivable, the recognition of changes in inventory cost estimates, recovery or repossession of VOIs, selling and marketing costs, operations during holding periods, developer subsidies to property owners' associations and upgrade and reload transactions. Restatement of previously reported financial statements is not permitted.

The adoption of SFAS No. 152 on January 1, 2006, resulted in a net charge of $4.5 million, which is presented as a cumulative effect of change in accounting principle, net of the related tax benefit and the charge related to minority interest.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 establishes a common definition for fair value under United States generally accepted accounting principles guidance requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We will adopt SFAS No. 157 effective January 1, 2008, and are currently assessing the impact the statement will have on our financial condition, results of operations, cash flows or disclosures.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS No. 159"). SFAS No. 159 allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. Subsequent to the adoption of SFAS No. 159, changes in fair value for the particular instruments shall be reported in earnings. Upon initial adoption, SFAS No. 159 provides entities with a one-time chance to elect the fair value option for existing eligible items. The effect of the first measurement to fair value should be reported as a cumulative-effect adjustment to the opening balance of retained earnings in the year

the Statement is adopted. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material impact on our financial condition, results of operations, cash flows or disclosures.

2. Sales of Notes Receivable

During the first quarter of 2007, we sold $51.2 million in VOI receivables pursuant to a receivables purchase facility (the "2006-A GE Purchase Facility") with General Electric Capital Corporation ("GE"). Under the 2006-A GE Purchase Facility, a variable purchase price of approximately 90% of the principal balance of the receivables sold, subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as GE has received a specified return, a specified over collateralization ratio is achieved, a cash reserve account is fully funded and all servicing, custodial, agent and similar fees and expenses have been paid. GE earns a return equal to the applicable Swap Rate (which is a published interest swap arrangement rate as defined in the 2006-A GE Purchase Facility agreements) plus 2.35%, subject to use of alternate return rates in certain circumstances. Subject to compliance with the terms and conditions of funding, the 2006-A GE Purchase Facility allows for sales of notes receivable for a cumulative purchase price of up to $125.0 million through March 2008. As of June 30, 2007, the remaining availability under the 2006-A GE Purchase Facility was $14.2 million of aggregate purchase price, subject to eligibility requirements and fulfillment of conditions precedent.

Sales of notes receivable during the three and six months ended June 30, 2006, and the six months ended June 30, 2007 were as follows (in millions):

Three Months Ended June 30, 2006

Sale Facility	Aggregate Principal Balance of Notes Receivable	Purchase Price	Gain Recognized	Init Va Re In
2006-A GE Purchase Facility	$ 16.6	$ 15.0	$ 2.7	$

Six Months Ended June 30, 2006

Sale Facility	Aggregate Principal Balance of Notes Receivable	Purchase Price	Gain Recognized	In
2005 Term Securitization	$ 18.6	$ 16.7	$ 3.6	
2006-A GE Purchase Facility	39.0	35.1	6.1	
Total	$ 57.6	$ 51.8	$ 9.7	

Six Months Ended June 30, 2007

Sale Facility	Aggregate Principal Balance of Notes Receivable	Purchase Price	Gain Recognized	In
2006-A GE Purchase Facility	$ 51.2	$ 46.0	$ 8.0	

In accordance with SFAS No. 152, approximately $2.6 million and $9.2 million of the gain were recorded as an increase to VOI sales for the three and six months ended June 30, 2006, respectively. The remaining $47,000 and $552,000 of the gains were recorded as gain on sales of notes receivable on the accompanying statements of income for the three and six months ended June 30, 2006, respectively. Approximately $8.0 million of the gain was recorded as an increase to VOI sales for the six months ended June 30, 2007. There were no sales of notes receivables that qualified for off-balance sheet treatment during the three months ended June 30, 2007.

The following assumptions were used to measure the initial fair value of the retained interest in notes receivable sold for each of the transactions during the six months ended June 30, 2006: prepayment rates decreasing from 14.0% to 9.0% per annum as the portfolios mature; loss severity rates ranging from 35.0% to 71.3%; default rates decreasing from 10.0% to 1.0% per annum as the portfolios mature; and a discount rate of 9.0%.

The following assumptions were used to measure the initial fair value of the retained interest in notes receivable sold for each of the transactions during the six months ended June 30, 2007: prepayment rates decreasing from 15.0% to 11.0% per annum as the portfolios mature; loss severity rate ranging from 38% to 71.3%; default rates decreasing from 10.5% to 1.0% per annum as the portfolios mature; and a discount rate of 9.0%.

3. Lines-of-Credit and Receivable-Backed Notes Payable

In February 2007, we borrowed $12.6 million under the GMAC Communities Facility (this facility is described in more detail in the "Liquidity and Capital Resources" section of Management Discussion and Analysis) in connection with the acquisition of 350 acres near St. Simons Island, Georgia, for a property to be called Sanctuary River Club at St. Andrews Sound. In February of 2007, we also borrowed $12.5 million under the GMAC Communities Facility to fund development activities on various communities. As of June 30, 2007, the GMAC Communities Facility had an outstanding balance of $46.4 million bearing interest at 9.25%. The remaining availability under the GMAC Communities Facility, subject to the terms and conditions of the facility, was $28.6 million as of June 30, 2007.

In April 2007, we borrowed $10.9 million from Textron Financial Corporation. The proceeds received under this loan were used primarily for the completion of development at The Grande Villas at World Golf Village resort in St. Augustine, Florida. As of June 30, 2007 the outstanding balance was $10.9 million bearing interest at 9.50%, and we had the ability to borrow an additional $1.6 million under this loan.

During April 2007, the Joint Venture entered into a $45.0 million revolving vacation ownership interest ("VOI") receivables credit facility (the "Facility") with General Electric Capital Corporation ("GE"). Bluegreen Corporation has guaranteed the full payment and performance of the Joint Venture in connection with the Facility. The Facility allows for advances on a revolving basis through April 16, 2009. All outstanding borrowings on the Facility mature no later than April 16, 2016. The Facility has detailed requirements with respect to the eligibility of receivables for inclusion and other conditions to funding. The borrowing base under the Facility ranges from 97% - 90% (based on the spread between the weighted average note receivable coupon and GE's interest rate) of the outstanding principal balance of eligible notes receivable arising from the sale of VOIs. The Facility includes affirmative, negative and financial covenants and events of default. All principal and interest payments received on pledged receivables are applied to principal and interest due under the Facility. Indebtedness under the Facility bears interest adjusted monthly at the one month London Interbank Offered Rate ("LIBOR") plus 1.75%. The Joint Venture was required to pay an upfront loan commitment fee of $225,000 in connection with the Facility. In April 2007, the Joint Venture pledged $26.8 million in aggregate principal balance of notes receivable under the Facility and received $25.7 million in cash proceeds, net of issuance costs. As of June 30, 2007, the outstanding balance was $24.0 million bearing interest at 7.07%, and the remaining availability under the Facility, subject to the terms and conditions of the facility, was $21.0 million.

In April 2007, we transferred $20.4 million of VOI notes receivable to the 2006 BB&T Purchase Facility and received $17.3 million in cash proceeds. In June 2007, we transferred an additional $40.7 million in aggregate principal balance of notes receivable under the same facility and received $34.6 million in cash proceeds. As of June 30, 2007, the outstanding balance on this facility was $51.4 million and the remaining availability under the 2006 BB&T Purchase Facility, subject to the terms and conditions of the facility, was $86.1 million, bearing interest at 6.57%. In August 2007, we transferred $32.0 million of VOI notes receivable to the 2006 BB&T Purchase Facility and received $27.2 million in cash proceeds. Immediately following the funding, the remaining availability under the 2006 BB&T Purchase Facility, subject to the terms and conditions of the facility, was $58.9 million.

In June 2007, we borrowed $14.8 million under the GMAC AD&C Facility, the proceeds of which will be used for development spending at The Fountains Resort in Orlando, Florida. As of June 30, 2007 the outstanding balance on this line-of-credit was $50.0 million, bearing interest at 9.82% and the remaining availability under the GMAC AD&C Facility was $100.0 million as of June 30, 2007.

Total interest expense capitalized to construction in progress was $3.5 million and $5.8 million for the three and six months ended June 30, 2006, respectively, and $3.9 million and $7.3 million for the three and six months ended June 30, 2007, respectively.

4. Trust Preferred Securities Offerings

We have formed business statutory trusts (collectively, the "Trusts") for the purpose of issuing trust preferred securities and investing the proceeds thereof in our junior subordinated debentures. The Trusts are variable interest entities in which we are not the primary beneficiary as defined by FASB Interpretation No. 46R. Accordingly, we do not consolidate the operations of the Trusts; instead, the Trusts are accounted for under the equity method of accounting.

On February 26, 2007, one of the Trusts, Bluegreen Statutory Trust VI ("BST VI") issued $20.0 million of trust preferred securities. BST VI used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the trust preferred securities will be payable quarterly in arrears at a fixed rate of 9.84% through April 2012, and thereafter at a variable rate of interest, per annum, reset quarterly, equal to the 3-month LIBOR plus 4.80% until the scheduled maturity date of April 30, 2037. Distributions on the trust preferred securities will be cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities will be subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable five years from the issue date or sooner following certain specified events. In addition, we contributed $619,000 to BST VI in exchange for its common securities, all of which are owned by us. Those proceeds were also used by BST VI to purchase an identical amount of junior subordinated debentures from us. The terms of BST VI's common securities are nearly identical to the trust preferred securities.

The above issuances of trust preferred securities were part of larger pooled trust securities offerings which were not registered under the Securities Act of 1933. Proceeds were used for general corporate purposes and debt repayment.

We had the following junior subordinated debentures outstanding at June 30, 2007 (dollars in thousands):

Trust	Outstanding Amount of Junior Subordinated Debentures	Initial Equity To Trust (3)	Issue Date	Fixed Interest Rate (1)	Variable Interest Rate (2)	R
Bluegreen Statutory Trust I	$ 23,196	$ 696	3/15/05	9.160%	3-month LIBOR + 4.90%	

Bluegreen Statutory Trust II	25,774	774	5/04/05	9.158%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust III ...	10,310	310	5/10/05	9.193%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust IV	15,464	464	4/24/06	10.130%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust V	15,464	464	7/21/06	10.280%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust VI	20,619	619	2/26/07	9.842%	3-month LIBOR + 4.80%
	$ 110,827	$ 3,327			

(1) Both the trust preferred securities and junior subordinated debentures bear interest at a fixed interest rate from the issue date through the beginning optional redemption date.

(2) Both the trust preferred securities and junior subordinated debentures bear interest at a variable interest rate from the beginning optional redemption date through the maturity date.

(3) Initial equity in trust is recorded as a component of Other assets in our Condensed Consolidated Balance Sheets.

5. Senior Secured Notes Payable

On April 1, 1998, we consummated a private placement offering of $110.0 million in aggregate principal amount of 10.50% senior secured notes payable due April 1, 2008 (the "Notes"). On September 27, 2005, we redeemed $55.0 million in aggregate principal amount of the Notes at a redemption price of 101.75% plus accrued and unpaid interest through September 26, 2005 of approximately $1.4 million. At June 30, 2007, $55.0 million of the Notes remained outstanding. None of the assets of Bluegreen Corporation secures its obligations under the Notes, and the Notes are effectively subordinated to our secured indebtedness to any third party to the extent of assets serving as security therefor. The Notes are unconditionally guaranteed, jointly and severally, by each of our subsidiaries (the "Subsidiary Guarantors"), with the exception of the Joint Venture, Bluegreen Properties N.V., Resort Title Agency, Inc., any special purpose finance subsidiary, any subsidiary which is formed and continues to operate for the limited purpose of holding a real estate license and acting as a broker, and certain other subsidiaries which have individually less than $50,000 of assets (collectively, "Non-Guarantor Subsidiaries"). Each of the note guarantees covers the full amount of the Notes and each of the Subsidiary Guarantors is 100% owned, directly or indirectly by us. Supplemental financial information for Bluegreen Corporation, its combined Non-Guarantor Subsidiaries and its combined Subsidiary Guarantors is presented below:

CONDENSED CONSOLIDATING BALANCE SHEETS
(In thousands)

	December 31, 2006			
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	E
ASSETS				
Cash and cash equivalents	$ 36,316	$ 17,002	$ 17,830	$
Contracts receivable, net	--	1,222	22,634	
Intercompany receivable	165,997	--	--	
Notes receivable, net	--	57,845	86,406	
Inventory, net	--	17,967	331,366	
Retained interests in notes receivable sold	--	130,623	--	
Property and equipment, net	16,110	933	75,402	
Investments in subsidiaries	290,084	--	3,230	
Other assets	7,860	4,582	30,114	
Total assets	$ 516,367	$ 230,174	$ 566,982	$
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Accounts payable, accrued liabilities and other	$ 33,303	$ 20,717	$ 54,173	$
Intercompany payable	--	8,967	157,030	
Deferred income taxes	(19,813)	47,864	59,573	
Lines-of-credit and notes payable	4,646	18,914	121,902	
10.50% senior secured notes payable	55,000	--	--	
Junior subordinated debentures	90,208	--	--	
Total liabilities	163,344	96,462	392,678	
Minority interest	--	--	--	
Total shareholders' equity	353,023	133,712	174,304	
Total liabilities and shareholders' equity .	$ 516,367	$ 230,174	$ 566,982	$

	June 30, 2007 (Unaudited)			
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combined Subsidiary Guarantors	E
ASSETS				
Cash and cash equivalents	$ 41,156	$ 22,714	$ 22,123	$
Contracts receivable, net	--	510	26,835	

Intercompany receivable	146,795	10,107	--	
Notes receivable, net	--	121,330	93,350	
Inventory, net	--	9,953	369,055	
Retained interests in notes receivable sold	--	128,442	--	
Property and equipment, net	15,741	719	84,114	
Investments in subsidiaries	313,712	--	3,230	
Other assets	9,044	4,064	29,717	
Total assets	$ 526,448	$ 297,839	$ 628,424	$
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Accounts payable, accrued liabilities and other	$ 18,494	$ 16,158	$ 86,968	$
Intercompany payable	--	--	174,870	
Deferred income taxes	(20,704)	52,387	60,651	
Lines-of-credit and notes payable	433	88,323	129,964	
10.50% senior secured notes payable	55,000	--	--	
Junior subordinated debentures	110,827	--	--	
Total liabilities	164,050	156,868	452,453	
Minority interest	--	--	--	
Total shareholders' equity	362,398	140,971	175,971	
Total liabilities and shareholders' equity	$ 526,448	$ 297,839	$ 628,424	$

17

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(In thousands)
(Unaudited)

	Three Months End		
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combi Subsid Guaran
REVENUES			
Sales of real estate	$ --	$ 13,908	$ 128
Other resort and communities operations revenue	--	3,906	9
Management fees	14,256	--	
Equity income from subsidiaries	3,646	--	
Interest income	436	5,108	3
Gain on sales of notes receivable	--	47	
Other income (expense), net	873	(94)	
	19,211	22,875	141
COSTS AND EXPENSES			
Cost of real estate sales	--	3,647	45
Cost of other resort and communities operations	--	1,145	11
Management fees	--	212	14
Selling, general and administrative expenses	10,765	7,572	69

Interest expense	28	779	2
	10,793	13,355	143
Income (loss) before minority interest and provision (benefit) for income taxes	8,418	9,520	(1
Minority interest in income of consolidated subsidiary ..	--	--	
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle	8,418	9,520	(1
Provision (benefit) for income taxes	1,838	3,022	
Net income (loss)	$ 6,580	$ 6,498	$ (1

	Three Months Ende		
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combin Subsidi Guarant
REVENUES			
Sales of real estate	$ --	$ 15,939	$ 127,
Other resort and communities operations revenue	--	2,036	13,
Management fees	17,044	--	
Equity income from subsidiaries	4,917	--	
Interest income	534	7,991	3,
	22,495	25,966	144,
COSTS AND EXPENSES			
Cost of real estate sales	--	4,962	41,
Cost of other resort and communities operations	--	1,069	10,
Management fees	--	2,597	14,
Selling, general and administrative expenses	12,486	9,221	76,
Interest expense	7,307	1,130	(2,
Other expense (income), net	116	197	
	19,909	19,176	140,
Income before minority interest and provision for income taxes	2,586	6,790	3,
Minority interest in income of consolidated subsidiary	--	--	
Income before provision for income taxes	2,586	6,790	3,
Provision (benefit) for income taxes	(1,506)	2,580	1,
Net income	$ 4,092	$ 4,210	$ 2,

	Six Months Ended		
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combin Subsidi Guarant
REVENUES			
Sales of real estate	$ --	$ 25,144	$ 238,
Other resort and communities operations revenue	--	7,070	23,
Management fees	27,351	--	
Equity income from subsidiaries	1,063	--	
Interest income	976	9,499	7,
Gain on sales of notes receivable	--	552	
Other (expense) income	1,003	(383)	
	30,393	41,882	269,
COSTS AND EXPENSES			
Cost of real estate sales	--	7,337	86,
Cost of other resort and communities operations	--	2,478	27,
Management fees	--	453	26,
Selling, general and administrative expenses	20,095	13,376	128,
Interest expense	1,016	1,549	4,
Other (income) expense	--	--	
	21,111	25,193	274,
Income (loss) before minority interest and provision (benefit) for income taxes	9,282	16,689	(4,
Minority interest in income of consolidated subsidiary ..	--	--	
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle	9,282	16,689	(4,
Provision (benefit) for income taxes	3,165	5,388	(1,
Income (loss) before cumulative effect of change in accounting principle	6,117	11,301	(3,
Cumulative effect of change in accounting principle, net of tax.	--	(1,942)	(3,
Minority interest in income of cumulative effect of change in accounting principle	--	--	
Net income (loss)	$ 6,117	$ 9,359	$ (6,

	Six Months Ended J		
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries	Combine Subsidia Guaranto
REVENUES			
Sales of real estate	$ --	$ 29,403	$ 235,8
Other resort and communities operations revenue	--	5,185	25,4

Management fees	31,687	--	
Equity income from subsidiaries	7,611	--	
Interest income	981	14,530	6,4
	40,279	49,118	267,7
COSTS AND EXPENSES			
Cost of real estate sales	--	8,509	74,5
Cost of other resort and communities operations	--	2,265	22,0
Management fees	--	4,912	26,7
Selling, general and administrative expenses	22,825	16,209	140,8
Interest expense	8,837	2,195	
Other expense, net	83	317	7
	31,745	34,407	264,9
Income before minority interest and provision for income taxes	8,534	14,711	2,8
Minority interest in income of consolidated subsidiary	--	--	
Income before provision for income taxes	8,534	14,711	2,8
Provision (benefit) for income taxes	(891)	5,590	1,0
Net income	$ 9,425	$ 9,121	$ 1,7

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended (resta	
	Bluegreen Corporation	Combined Non-Guarantor Subsidiaries
Operating activities:		
Net cash (used) provided by operating activities	$ (32,689)	$ (36,017)
Investing activities:		
Purchases of property and equipment	(4,557)	(30)
Investment in statutory business trust	(464)	--
Cash received from retained interests in notes receivable sold	--	14,969
Net cash (used) provided by investing activities	(5,021)	14,939
Financing activities:		
Proceeds from borrowings collateralized by notes receivable	--	29,732
Payments from borrowings collateralized by notes receivable	--	(5,570)
Borrowings under line-of-credit facilities and notes payable	--	--
Payments under line-of-credit facilities and notes payable	(805)	(39)
Proceeds from issuance of junior subordinated debentures	15,464	--
Payment of debt issuance costs	(498)	(1,554)
Proceeds from exercise of stock options	173	--

Net cash provided (used) by financing activities	14,334	22,569
Net (decrease) increase in cash and cash equivalents	(23,376)	1,491
Cash and cash equivalents at beginning of period	55,708	15,443
Cash and cash equivalents at end of period	32,332	16,934
Restricted cash and cash equivalents at end of period	(173)	(10,951)
Unrestricted cash and cash equivalents at end of period	$ 32,159	$ 5,983

	Six Months E	
	Bluegreen Corporation	Combined Non-Guaranto Subsidiaries
Operating activities:		
Net cash (used) provided by operating activities	$ (10,917)	$ (77,95
Investing activities:		
Purchases of property and equipment	(1,950)	(
Investment in statutory business trusts	(619)	-
Cash received from retained interests in notes receivable sold ...	--	12,93
Net cash (used) provided by investing activities	(2,569)	12,92
Financing activities:		
Proceeds from borrowings collateralized by notes receivable	--	77,34
Payments from borrowings collateralized by notes receivable	--	(6,07
Borrowings under line-of-credit facilities and other notes payable	--	-
Payments under line-of-credit facilities and other notes payable .	(2,171)	(8
Proceeds from issuance of junior subordinated debentures	20,619	-
Payments of debt issuance costs	(675)	(44
Proceeds from exercise of stock options	553	-
Net cash provided (used) by financing activities	18,326	70,73
Net increase in cash and cash equivalents	4,840	5,71
Cash and cash equivalents at beginning of period	36,316	17,00
Cash and cash equivalents at end of period	41,156	22,71
Restricted cash and cash equivalents at end of period	(173)	(8,608
Unrestricted cash and cash equivalents at end of period	$ 40,983	$ 14,10

20

6. Business Segments

We have two reportable business segments. Bluegreen Resorts develops, markets and sells VOIs in our resorts, through the Bluegreen Vacation Club, and provides resort management services to resort property owners associations. Bluegreen Communities acquires large tracts of real estate, which are subdivided, improved (in some cases to include a golf course on the property and other related amenities) and sold, typically on a retail basis as homesites.

We evaluate the performance and allocate resources to each business segment based on its respective field operating profit. Field operating profit is operating profit prior to the allocation of corporate overhead, interest income, other income or expense, interest expense, income taxes, minority interest and cumulative effect of change in accounting principle. Inventory and notes receivable are the only assets that we evaluate on a segment basis -- all other assets are only evaluated on a consolidated basis.

Disclosures for our business segments are as follows (in thousands):

	Bluegreen Resorts	Bluegreen Communities	Totals
For the three months ended June 30, 2006			
Sales of real estate	$ 91,386	$ 50,561	$141,947
Other resort and communities operations revenue	9,624	3,996	13,620
Depreciation expense	2,022	391	2,413
Field operating profit	2,507	14,577	17,084
For the three months ended June 30, 2007			
Sales of real estate	$ 105,247	$ 38,027	$143,274
Other resort and communities operations revenue	12,235	3,355	15,590
Depreciation expense	2,107	431	2,538
Field operating profit	8,811	6,527	15,338
For the six months ended June 30, 2006			
Sales of real estate	$ 165,521	$ 98,186	$263,707
Other resort and communities operations revenue	23,955	6,332	30,287
Depreciation expense	3,896	826	4,722
Field operating profit	5,155	24,356	29,511
For the six months ended June 30, 2007			
Sales of real estate	$ 192,395	$ 72,901	$265,296
Other resort and communities operations revenue	25,073	5,535	30,608
Depreciation expense	4,224	857	5,081
Field operating profit	17,660	15,335	32,995

Net notes receivable by business segment (in thousands):

	December 31, 2006	June 30, 2007
Bluegreen Resorts	$ 137,509	$ 208,424
Bluegreen Communities	6,742	6,256
Total	$ 144,251	$ 214,680

Net inventory by business segment (in thousands):

December 31, 2006	June 30, 2007

Bluegreen Resorts ...	$ 233,290	$ 243,928
Bluegreen Communities	116,043	135,080
Total	$ 349,333	$ 379,008

Reconciliations to Consolidated Amounts:

Field operating profit for our reportable segments reconciled to our consolidated income before minority interest and provision for income taxes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Field operating profit for reportable segments .	$ 17,084	$ 15,338	$ 29,511	$ 32,995
Interest income	9,499	12,108	17,672	21,950
Gain on sales of notes receivable	47	--	552	--
Other (expense) income, net	837	(246)	690	(1,197)
Corporate general and administrative expenses ..	(11,565)	(13,086)	(21,640)	(24,247)
Interest expense	(3,526)	(5,881)	(6,832)	(11,032)
Consolidated income before minority interest and provision for income taxes	$ 12,376	$ 8,233	$ 19,953	$ 18,469

7. Income Taxes

We and our subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003. The Internal Revenue Service ("IRS") commenced an examination of our U.S. income tax returns for 2004 and 2005 in the first quarter of 2007 that is anticipated to be complete by the end of 2007.

On July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 ("FIN 48") which clarifies the accounting for uncertainty in tax positions. Based on an evaluation of uncertain tax provisions, we are required to measure tax benefits based on the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The adoption of FIN 48 on January 1, 2007 did not have an impact on our financial position or results of operations. As of June 30, 2007, we had no amounts recorded for uncertain tax positions.

On July 12, 2007, the Michigan Governor signed the Michigan Business Tax Act ("MBT"), which imposes a business income tax and a modified gross receipts tax. The new MBT becomes effective January 1, 2008, which will replace the state's current Single Business Tax, which expires on December 31, 2007. The MBT creates a new tax on business income and is assessed on every taxpayer with business activity in Michigan, unless prohibited by federal P.L. 86-272 (15 USC ss.381 to ss.384). The base of the tax starts with federal taxable income or a comparable measure of income for partnerships and S corporations, which is then subject to various adjustments, including apportionment, to identify business activity in Michigan. The tax rate is 4.95%. MBT also creates a new tax based on a modified measure of a business's gross receipts. The base of the tax is gross receipts less purchases from other firms. Purchases from other firms include inventory purchased during the tax year and capital expenditures. The tax rate is 0.8%. We have not yet completed our analysis of the impact the MBT will have on our effective tax rate.

8. Contingencies

In 2005, the State of Tennessee Audit Division (the "Division") audited Bluegreen Vacations Unlimited, Inc., our wholly owned subsidiary, for the period from December 1, 2001 through December 31, 2004. On September 23, 2006, the Division issued a notice of assessment for $0.7 million of accommodations tax based on the use of Bluegreen Vacation Club accommodations by Bluegreen Vacation Club members who purchased non-Tennessee property. We believe the attempt to impose such a tax is contrary to Tennessee law, and we intend to vigorously oppose such assessment by the Division. While the timeshare industry has been successful in challenging the imposition of sales taxes on the use of accommodations by timeshare owners, there is no assurance that we will be successful in contesting the current assessment.

Bluegreen Southwest One, L.P., ("Southwest"), a subsidiary of Bluegreen Corporation, is the developer of the Mountain Lakes subdivision in Texas. In Cause No. 28006; styled Betty Yvon Lesley et a1 v. Bluff Dale Development Corporation, Bluegreen Southwest One. L.P.et al. in the 266th Judicial District Court, Erath County, Texas, the Plaintiffs filed a declaratory judgment action against Southwest in which they seek to develop their

reserved mineral interests in, on and under the Mountain Lakes subdivision. Plaintiffs' claims are based on property law, oil and gas law, contract and tort theories. The property owners association and some of the individual landowners have filed cross actions against Bluegreen, Southwest and individual directors of the property owners association related to the mineral rights and related to certain amenities in the subdivision as described below. On January 17, 2007, the court ruled that the restrictions placed on the development that prohibited oil and gas production and development were invalid and not enforceable as a matter of law, that such restrictions do not prohibit the prior reserved mineral interests of the Plaintiffs from being developed and that a duty to exercise the right to lease the minerals to third parties for development exists and has been breached. The Court further ruled, that Southwest is the sole holder of the right to lease the minerals to third parties. The order granting the Plaintiffs motion was severed into a new cause styled Cause No. 28769 Betty Yvon Lesley et a1 v. Bluff Dale Development Corporation, Bluegreen Southwest One. L.P.et al. in the 266th Judicial District Court, Erath County, Texas. Southwest has appealed the trial court's ruling but, at this time, is unable to predict the ultimate resolution of the litigation. The appeal is styled Bluegreen Southwest One, LP et al. v. Betty Yvon Lesley et al.; in the 11th Court of Appeals, Eastland, Texas. Bluegreen does not believe that it has material exposure to the property owners association based on the cross claim relating to the mineral rights other than the potential claim for legal fees incurred by the property owners association. As of June 30, 2007, Bluegreen established a reserve of $1.3 million in connection with the issues raised related to the mineral rights claims. Separately, one of the amenity lakes in the Mountain Lakes development did not reach the expected level after construction was completed. Owners of homesites within the Mountain Lakes subdivision and the Property Owners

Association of Mountain Lakes have asserted claims against Southwest and Bluegreen regarding such failure as part of the Lesley litigation referenced above as well as in Cause No. 067-223662-07; Property Owners Association of Mountain Lakes Ranch, Inc. v. Bluegreen Southwest One, L. P., et al.; in the 67TH Judicial District Court of Tarrant County, Texas. Southwest has been and continues to investigate the causes and circumstances for the delay of the lake to fill and currently estimates that the cost of remediating the condition will be approximately $3.0 million, which was accrued during the year ended December 31, 2006. Additional claims may be pursued against us in the future in connection with these matters, but it is not possible at this time to estimate the likelihood of loss or amount of potential exposure with respect to any such matters.

We filed suit against the general contractor with regard to alleged construction defects at our Shore Crest Vacation Villas resort in South Carolina; styled Shore Crest Vacation Villas II Owners Association, Inc., Bluegreen Corporation vs. Welbro Constructors, S.C., Inc. et al. Case No.: 04-CP-26-500 and Shore Crest Vacation Villas Owners Association, Inc., Bluegreen Vacations Unlimited, Inc., as successor to Patten Resorts, Inc. and as successor to Bluegreen Resorts, Inc. vs. Welbro Constructors Inc. et al. Case No. 04-CP-26-499. Whether the matter is settled by litigation or by negotiation, it is possible that we may need to participate financially in some way to correct the construction deficiencies. We estimate that the total cost of repairs to correct the defects will range from $4 million to $6 million. We cannot predict the extent of the financial obligation that we may incur.

In Michelle Alamo, Ernest Alamo, Toniann Quinn and Terrance Quinn v. Vacation Station, LLC, LeisurePath Vacation Club, LeisurePath, Inc., Bluegreen Corporation, Superior Court of New Jersey, Bergen County, Docket No. L-6716-05, Civil Action, Plaintiffs filed a purported "Class Action Complaint" on September 23, 2005. The Complaint raises allegations concerning the marketing of the LeisurePath Travel Services Network product to the public, and, in particular, New Jersey residents by Vacation Station, LLC, an independent distributor of travel products. Vacation Station, LLC purchased LeisurePath membership kits from LeisurePath, Inc.'s Master Distributor, Mini Vacations, Inc. and then sold the memberships to consumers. The initial Plaintiffs (none of whom actually bought the Leisure Path product) assert claims for violations of the New Jersey Consumer Fraud Act, fraud, nuisance, negligence and for equitable relief all stemming from the sale and marketing by Vacation Station, LLC of the LeisurePath Travel Services Network. Plaintiffs are seeking the gifts and prizes they were allegedly told by Vacation Station, LLC that they won as part of the sales promotion, and that they be given the opportunity to rescind their agreement with LeisurePath along with a full refund. Plaintiffs further seek punitive damages, compensatory damages, attorney's fees and treble damages of unspecified amounts. In February of 2007, the Plaintiffs amended the complaint to add two additional Plaintiffs/proposed class representatives, Bruce Doxey and Karen Smith-Doxey. Unlike the initial Plaintiffs who were first contacted by Vacation Station, LLC some seven (7) months after LeisurePath terminated its relationship with Vacation Station, LLC and did not purchase LeisurePath products, the Doxeys purchased a participation in the LeisurePath Travel Services Network. On March 16, 2007, the Court denied a motion filed by Leisure Path and Bluegreen Corporation to dismiss the Doxeys as parties to the lawsuit. Leisure Path and Bluegreen Corporation intend to vigorously contest this action. Vacation Station, LLC and its owner have each filed for bankruptcy protection.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Regarding Forward-Looking Statements and Risk Factors

We desire to take advantage of the "safe harbor" provisions of the Private Securities Reform Act of 1995 (the "Act") and are making the following statements pursuant to the Act to do so. Certain statements in this Quarterly Report and our other filings with the SEC constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You may identify these statements by forward-looking words such as "may," "intend," "expect," "anticipate," "believe" "will," "should," "project," "estimate," "plan" or other comparable terminology or by other statements that do not relate to historical facts. All statements, trend analyses and other information relative to the market for our products, remaining life of project sales, our expected future sales, financial position, operating results, liquidity and capital resources, our business strategy, financial plan and expected capital requirements as well as trends in our operations or results are forward-looking statements. These forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control, including changes in economic conditions, generally, in areas where we operate, or in the travel and tourism industry, increases in interest rates, changes in regulations and other factors discussed throughout our SEC filings all of which could cause our actual results, performance or achievements, or industry trends, to differ materially from any future results, performance, or achievements or trends expressed or implied herein. Given these uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements and no assurance can be given that the plans, estimates and expectations reflected herein will be achieved. Factors that could adversely affect our future results can also be considered general risk factors with respect to our business, whether or not they relate to a forward-looking statement. We wish to caution you that the important factors set forth below and elsewhere in this report in some cases have affected, and in the future could affect our actual results and could cause our actual consolidated results to differ materially from those expressed in any forward-looking statements.

- Our continued liquidity depends on our ability to sell or borrow against our notes receivable.

- We depend on additional funding to finance our operations.

- Our success depends on our ability to market our products successfully and efficiently.

- The state of the economy generally, interest rates, the availability of financing and increased fuel prices, in particular, could affect our ability to market VOIs and residential homesites.

- We would incur substantial losses if the customers we finance default on their obligations to pay the balance of the purchase price.

- Our results of operations and financial condition could be adversely impacted if our estimates concerning our notes receivable and inventory are incorrect.

- We are subject to the risks of the real estate market and the risks associated with real estate development, including the risks and uncertainties relating to the cost and availability of land, labor and construction materials.

- We may not successfully acquire additional vacant or unimproved land inventory or execute our growth strategy.

- We may face a variety of risks when we expand our operations.
- We may face additional risks when and if we expand into new markets.
- The limited resale market for VOIs could adversely affect our business.
- We could incur losses based on the outcome of pending or future litigation, claims, and assessments.
- Claims for development-related defects could adversely affect our financial condition and operating results.

- We may be adversely affected by extensive federal, state and local laws and regulations and changes in applicable laws and regulations, including with respect to the imposition of additional taxes on operations.
- Environmental liabilities, including claims with respect to mold or hazardous or toxic substances, could have a material adverse impact on our business.
- We could incur costs to comply with laws governing accessibility of facilities by disabled persons.

In addition to the foregoing, reference is also made to other risks and factors detailed in reports filed by the Company with the Securities and Exchange Commission including our Annual Report on Form 10-K for the year ended December 31, 2006.

Executive Overview

We operate through two business segments. Bluegreen Resorts develops, markets and sells VOIs in our Bluegreen Vacation Club resorts, and provides resort management services to resort property owners associations. Bluegreen Communities acquires large tracts of real estate, which are subdivided, improved (in some cases to include a golf course on the property and other related amenities) and sold, typically on a retail basis, as homesites.

Effective January 1, 2006, we adopted the provisions of SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions, which changes the rules for many aspects of timeshare accounting, including revenue recognition, inventory costing and incidental operations. The adoption of SFAS No. 152 resulted in a $4.5 million or $0.14 per diluted share charge for the cumulative effect of a change in accounting principle, net of income tax and minority interest in 2006.

We have historically experienced and expect to continue to experience seasonal fluctuations in our gross revenues and net earnings. This seasonality may cause significant fluctuations in our quarterly operating results, with the majority of our gross revenues and net earnings historically expected to occur in the quarters ending in September and December each year. Although we expect to see more potential customers at our sales offices during the quarters ending in June and September, ultimate recognition of the resulting sales during these periods may be delayed due to complex down payment requirements for purchases under GAAP or due to the timing of development and the requirement that we use the percentage-of-completion method of accounting. We expect that we will continue to invest in projects that will require substantial development (with significant capital requirements), and as a consequence, our results of operations may fluctuate significantly between quarterly and annual periods as a result of the required use of the percentage-of-completion method of accounting.

We believe that inflation and changing prices have materially impacted our revenues and results of operations, specifically due to periodic increases in the sales prices of our VOIs and homesites and continued increases in construction and development costs. We expect the increased construction and development costs over the past few years to result in an increase in our cost of sales for the foreseeable future. There is no assurance that we will be able to continue to increase our sales prices or that increased construction costs will not have a material adverse impact on our gross margin. In addition, to the extent that inflation in general or increased prices for our VOI and homesites would adversely impact consumer sentiment, our results of operations could be adversely impacted. Also, to the extent inflationary trends affect interest rates, a portion of our debt service costs may increase.

We recognize revenue on homesite and VOI sales when a minimum of 10% of the sales price has been received in cash, the refund or rescission period has expired, collectibility of the receivable representing the remainder of the sales price is reasonably assured and we have completed substantially all of our obligations with respect to any development of the real estate sold. Refund or rescission periods include those required by law and those provided for in our sales contracts. With respect to VOI sales, the revenue recognition rules require that incentives and other similarly treated items such as customer down payment equity earned through our Sampler Program be considered in calculating the required down payment for our VOI sales. If, after considering the value of sales incentives provided, the required 10% of sales price down payment threshold is not met, the VOI sale and the related cost of sale and direct selling costs are deferred and not recognized until the buyer's commitment test is satisfied, generally through the receipt of required mortgage note payments from the buyer. Further, in cases where all development has not been completed, recognition of income is subject to the percentage-of-completion method of accounting.

Costs associated with the acquisition and development of vacation ownership resorts and residential communities, including carrying costs such as interest and taxes, are capitalized as inventory and are allocated to cost of real estate sold as the respective revenues are recognized.

A portion of our revenues historically has been, and is expected to continue to be, comprised of gains on sales of notes receivable. The gains are recorded on our consolidated statement of income and the related retained interests in the notes receivable sold are recorded on our consolidated balance sheet at the time of sale. Effective January 1, 2006, the portion of these gains related to the reversal of previously recorded allowances for loan losses on the receivables sold is recorded as a component of revenue on sales of VOIs. The amount of gains recognized and the fair value of the retained interests recorded are based in part on management's best estimates of future prepayment rates, default rates, loss severity rates, discount rates and other considerations in light of then-current conditions. If actual prepayments with respect to loans occur more quickly than we projected at the time such loans were sold, as can occur when interest rates decline, interest would be less than expected and may cause a decline in the fair value of the retained interests and a charge to operations. If actual defaults or other factors discussed above with respect to loans sold are greater than estimated, charge-offs would exceed previously estimated amounts and the cash flow from the retained interests in notes receivable sold would decrease. Also, to the extent the portfolio of receivables sold fails to satisfy specified performance criteria (as may occur due to, for example, an increase in default rates or loan loss severity) or certain other events occur, the funds received from obligors must be distributed on an accelerated basis to investors. If the accelerated payment formula were to become applicable, the cash flow to us from the retained interests in notes receivable sold would be reduced until the outside investors were paid or the regular payment formula was resumed. If these situations were to occur on a material basis, it could cause a decline in the fair value of the retained interests and a charge to earnings currently. There is no assurance that the carrying value of our retained interests in notes receivable sold will be fully realized or that future loan sales will be consummated or, if consummated, result in gains. See "VOI Receivables Purchase Facilities - Off Balance Sheet Arrangements," below.

In addition, we have historically sold VOI receivables to financial institutions through warehouse purchase facilities to monetize the receivables while accumulating receivables for a future term securitization transaction. We have structured current and intend to structure future warehouse purchase facilities so that sales of VOI receivables through these facilities will be accounted for as on-balance sheet borrowings rather than as off-balance sheet sales. Therefore, we will not recognize a gain on the sales of receivables sold to the warehouse purchase facilities until such receivables are subsequently included in a properly structured term securitization transaction. If the timing of our term securitizations or securitization-type transactions changes from prior history, it will impact future quarterly earnings patterns as compared to comparable prior periods.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations and financial condition are based upon our condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of commitments and contingencies. On an ongoing basis, management evaluates its estimates, including those that relate to the recognition of revenue, including revenue recognition under the percentage-of-completion method of accounting; our estimated development cost and future sales on recovered VOIs for the purpose of recognizing cost of sales related to VOI sales; our estimate of fair value related to stock-based compensation; our reserve for loan losses; the valuation of retained interests in notes receivable sold and the related gains on sales of notes receivable; the recovery of the carrying value of real estate inventories; golf courses; intangible assets and other assets; and the estimate of contingent liabilities related to litigation and other claims and assessments. Management bases its estimates on historical experience and on various other assumptions that are believed 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, adversely impacted. For a more detailed discussion of these critical accounting policies see "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2006.

Results of Operations

We review financial information, allocate resources and manage our business as two segments, Bluegreen Resorts and Bluegreen Communities. The information reviewed is based on internal reports and excludes an allocation of general and administrative expenses attributable to corporate overhead. The information provided is based on a management approach and is used by us for the purpose of tracking trends and changes in results. It does not reflect the actual economic costs, contributions or results of operations of the segments as stand alone businesses. If a different basis of presentation or allocation were utilized, the relative contributions of the segments might differ but the relative trends, in our view, would likely not be materially impacted. The table below sets forth net revenue and income from operations by segment:

	Bluegreen Resorts		Bluegreen Communities		
	Amount	Percentage of Sales	Amount	Percentage of Sales	
Three Months Ended June 30, 2006					
Sales of real estate	$ 91,386	100%	$ 50,561	100%	$
Cost of real estate sales	(21,928)	(24)	(27,094)	(54)	
Gross profit	69,458	76	23,467	46	
Other resort and communities operations revenues	9,624	11	3,996	8	
Cost of other resort and communities operations	(9,887)	(11)	(3,050)	(6)	
Selling and marketing expenses	(59,892)	(66)	(7,832)	(15)	
Field general and administrative expenses (1)	(6,796)	(7)	(2,004)	(4)	
Field operating profit	$ 2,507	3%	$ 14,577	29%	$
Three Months Ended June 30, 2007					
Sales of real estate	$ 105,247	100%	$ 38,027	100%	$
Cost of real estate sales	(26,634)	(25)	(19,671)	(52)	
Gross profit	78,613	75	18,356	48	
Other resort and communities operations revenues	12,235	12	3,355	9	
Cost of other resort and communities operations	(8,900)	(8)	(2,955)	(8)	
Selling and marketing expenses	(66,111)	(64)	(9,404)	(25)	
Field general and administrative expenses (1)	(7,026)	(7)	(2,825)	(7)	
Field operating profit	$ 8,811	8%	$ 6,527	17%	$

	Bluegreen Resorts		Bluegreen Communities	
	Amount	Percentage of Sales	Amount	Percentage of Sales
Six Months Ended June 30, 2006				
Sales of real estate	$ 165,521	100%	$ 98,186	100%
Cost of real estate sales	(38,975)	(24)	(55,269)	(56)
Gross profit	126,546	76	42,917	44
Other resort and communities operations revenues	23,955	14	6,332	6
Cost of other resort and communities operations	(24,536)	(15)	(5,181)	(5)
Selling and marketing expenses	(107,813)	(64)	(14,812)	(15)
Field general and administrative expenses (1)	(12,997)	(8)	(4,900)	(5)
Field operating profit	$ 5,155	3%	$ 24,356	25%
Six Months Ended June 30, 2007				
Sales of real estate	$ 192,395	100%	$ 72,901	100%
Cost of real estate sales	(45,511)	(24)	(37,526)	(51)
Gross profit	146,884	76	35,375	49
Other resort and communities operations revenues	25,073	13	5,535	8
Cost of other resort and communities operations	(18,929)	(10)	(5,345)	(7)
Selling and marketing expenses	(121,412)	(63)	(14,472)	(21)
Field general and administrative expenses (1)	(13,956)	(7)	(5,758)	(8)
Field operating profit	$ 17,660	9%	$ 15,335	21%

(1) General and administrative expenses attributable to corporate overhead have been excluded from the tables. Corporate general and administrative expenses totaled $11.6 million for the three months ended June 30, 2006 and $13.1 million for the three months ended June 30, 2007. Corporate general and administrative expenses totaled $21.6 million for the six months ended June 30, 2006 and $24.2 million for the six months ended June 30, 2007. (See "Corporate General and Administrative Expenses," below, for further discussion).

Sales and Field Operations. Consolidated sales increased $1.3 million from $142.0 million during the three months ended June 30, 2006 to $143.3 million during the three months ended June 30, 2007. Consolidated sales increased $1.6 million from $263.7 million during the six months ended June 30, 2006 to $265.3 million during the six months ended June 30, 2007.

Bluegreen Resorts

During the three months ended June 30, 2006 and 2007, Bluegreen Resorts generated $91.4 million (64%) and $105.2 million (73%) of our total consolidated sales, respectively. During the six months ended June 30, 2006 and 2007, Bluegreen Resorts generated $165.5 million (63%) and $192.4 million (73%) of our total consolidated sales, respectively.

28

The following table sets forth certain information for sales of VOIs for the periods indicated, before giving effect to the percentage-of-completion method of accounting and sales deferred under SFAS No. 152.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Number of VOI sales transactions	11,438	11,193	19,119	20,312
Average sales price per transaction	$10,344	$11,359	$10,472	$11,003

Bluegreen Resorts' sales increased $13.9 million or 15% during the three months ended June 30, 2007, as compared to the three months ended June 30, 2006. Higher Resorts sales were primarily attributable to an increase in sales to existing Bluegreen Vacation Club(R) owners, known as upgrade sales. Upgrade sales rose 36% during the second quarter of 2007 compared to the same period last year, and comprised 40% of Resorts sales for the second quarter of 2007 as compared to 32% of Resorts sales during the second quarter of 2006. We experienced a 4% increase in same-store sales, led by sales offices at the Bluegreen Wilderness Club(TM) at Big Cedar(R) in Ridgedale, Missouri, MountainLoft(TM) in Gatlinburg, Tennessee, the Smoky Mountain Preview Center in Sevierville, Tennessee, The Falls Village(TM) resort in Branson, Missouri, and Grande Villas at World Golf Village(R) in St. Augustine, Florida. Higher sales were also attributable, to a lesser extent, to the opening of new sales offices in Las Vegas, Nevada (opened in July 2006), Wisconsin Dells, Wisconsin (opened in July 2006), and Williamsburg, Virginia (opened in August 2006), as well as a system-wide price increase that went into effect during March 2007. The overall increase in sales reflects an increase in the number of total prospects seen by Bluegreen Resorts from approximately 85,600 during the three months ended June 20, 2006 to approximately 88,700 during the three months ended June 30, 2007, coupled with a relatively constant sale-to-tour conversion ratio of 13%. Our sale-to-tour conversion ratio for new prospects (i.e., excluding sales to our existing owners) was approximately 10% during the three months ended June 30, 2006 and 2007.

Bluegreen Resorts' sales increased $26.9 million or 16% during the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. Higher Resorts sales were primarily attributable to an increase in upgrade sales. Upgrade sales rose 32% during the first half of 2007 compared to the same period last year, and comprised 39% of Resorts sales for the first half of 2007 as compared to 33% of Resorts sales during the first half of 2006. We experienced a 9% increase in same-store sales, led by sales offices at the Fountains(TM) resort in Orlando, Florida, Bluegreen Wilderness Club(TM) at Big Cedar(R) in Ridgedale, Missouri, MountainLoft(TM) in Gatlinburg, Tennessee, the

Smoky Mountain Preview Center in Sevierville, Tennessee, The Falls Village(TM) resort in Branson, Missouri, and Grande Villas at World Golf Village(R) in St. Augustine, Florida. Higher sales were also attributable, to a lesser extent, to the opening of the new sales offices and system-wide price increase, both described above. The overall increase in sales reflects an increase in the number of total prospects seen by Bluegreen Resorts from approximately 147,900 during the first half of 2006 to approximately 151,100 during the first half of 2007, coupled with a higher sale-to-tour conversion ratio (13% during the first half of 2006 as compared to 14% during the same period in 2007). Our sale-to-tour conversion ratio for new prospects (i.e., excluding sales to our existing owners) was approximately 10% and 11% for the six months ended June 30, 2006 and 2007, respectively.

Bluegreen Resorts' gross margin percentages vary between periods based on the relative costs of the specific VOIs sold in each respective period. Bluegreen Resorts' gross margin more typically ranges between 75% and 77%. During the three and six months ended June 30, 2007, gross margin was negatively impacted compared to the 2006 period by a higher proportion of sales of VOIs in 2007 of relatively higher costs resorts as compared to the same periods in 2006. Overall gross margins have decreased compared to earlier periods reflecting the higher costs of acquiring and developing properties. Acquisition and development costs may continue to increase in future periods and, as a result, we may not be able to earn historical gross margins.

Other resort operations revenue increased $2.6 million or 27% during the three months ended June 30, 2007, as compared to the three months ended June 30, 2006. Other resort operations revenue increased $1.1 million or 5% during the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. The increase in 2007 represents higher management services fees due to an increase in the number of resorts for which we provide management services as well as an overall increase in the number of Bluegreen Vacation Club(R) owners. These increases were partially off-set by lower title processing fees on our VOI sales earned by our wholly-owned title company as compared to prior periods. Additionally, during 2006, we began transitioning our mini-vacation package business from primarily selling the packages to third-parties to using the sales tours generated by mini-vacations

primarily for use at our own sales offices. This had the effect of increasing the profitability of our other resort operations but increasing our selling and marketing costs.

Cost of other resort operations decreased $1.0 million or 10% during the three months ended June 30, 2007, as compared to the three months ended June 30, 2006. Cost of other resort operations decreased $5.6 million or 23% during the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. The decrease during both periods in 2007 compared to the same periods in 2006 primarily reflects the transition of the mini-vacation package business, as previously discussed, as well as an increase in rental proceeds, which are reflected as a reduction to cost of other resort operations.

Selling and marketing expenses for Bluegreen Resorts increased $6.2 million or 10% during the three months ended June 30, 2007, as compared to the three months ended June 30, 2006. As a percentage of sales, selling and marketing expenses decreased from 66% during the three months ended June 30, 2006 to 63% during the three months ended June 30, 2007. Selling and marketing expenses for Bluegreen Resorts increased $13.6 million or 13% during the six months ended June 30, 2007, as compared to the six months ended June 30, 2006. As a percentage of sales, selling and marketing expenses decreased from 65%

during the six months ended June 30, 2006 to 63% during the six months ended June 30, 2007. The increase in selling and marketing expenses during 2007 as compared to the same periods in 2006 reflects the overall increase in sales, higher marketing expenses at our newly opened off-site sales offices and the previously discussed transition of our mini-vacations packages from being sold externally to being used internally. As a percentage of sales, our marketing costs decreased primarily a result of increased sales to owners, which generally carry lower marketing costs, as well as changes to our sales commission policy, partially offset by higher marketing costs as a percentage of sales at our new off-site sales offices. We believe that selling and marketing expenses as a percentage of sales is an important indicator of the performance of Bluegreen Resorts and our performance as a whole. No assurance can be given that selling and marketing expenses will not increase as a percentage of sales in future periods.

Field general and administrative expenses for Bluegreen Resorts increased $0.2 million or 3% during the three months June 30, 2007, as compared to the three months ended June 30, 2006. Field general and administrative expenses for Bluegreen Resorts increased $1.0 million or 7% during the six months June 30, 2007, as compared to the six months ended June 30, 2006. These increases reflect the increased cost of operating additional sales and support offices.

As of December 31, 2006, Bluegreen Resorts had $614,000 of sales and $345,000 of field operating profit deferred under percentage-of-completion accounting. There were no sales or field operating profit deferred under percentage of completion accounting as of June 30, 2007. Additionally, as of June 30, 2007, approximately $37.8 million and $21.0 million of sales and field operating profit, respectively, were deferred under SFAS No. 152 as compared to $27.3 million and $15.3 million of sales and field operating profit, respectively, as of December 31, 2006.

Bluegreen Communities

During the three months ended June 30, 2006 and 2007, Bluegreen Communities generated $50.6 million (36%) and $38.0 million (27%) of our total consolidated sales, respectively. During the six months ended June 30, 2006 and 2007, Bluegreen Communities generated $98.2 million (37%) and $72.9 million (27%) of our total consolidated sales, respectively.

The table below sets forth the number of homesites sold by Bluegreen Communities and the average sales price per homesite for the periods indicated, before giving effect to the percentage-of-completion method of accounting and excluding sales of bulk parcels.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Number of homesites sold	520	470	954	794
Average sales price per homesite	$92,690	$83,629	$82,785	$83,181

Bluegreen Communities' sales decreased $12.5 million or 25% during the three months ended June 30, 2007 as compared to the same period in 2006. The decrease reflects the substantial sell-out of several communities that were in active sales during the second quarter of 2006 and the impact of the percentage-of-completion method of accounting, partially offset by the commencement of sales at four new Bluegreen Communities subsequent to the second quarter of 2006. In addition, although to a lesser extent, Bluegreen Communities sales and revenue recognition under the percentage-of-completion method of accounting during the second quarter of 2007 were impacted by inclement weather in Texas where many Bluegreen Communities are located.

Sales decreased $25.3 million or 26% during the six months ended June 30, 2007 as compared to the same period in 2006 as a result of several of our more mature developments either approaching sell out or selling out after June 30, 2006, partially offset by sales generated at new Bluegreen Communities that commenced sales subsequent to the second quarter of 2006.

Before giving effect to the percentage-of-completion method of accounting and the legal rescission period, we entered into contracts to sell homesites totaling $38.4 million during the three months ended June 30, 2007, as compared to $43.0 million during the three months ended June 30, 2006; and $71.1 million and $87.7 million during the six months ended June 30, 2007 and 2006, respectively. These sales consisted of real estate sold at the following properties as of the three and six months ended June 30, 2006 and 2007:

Properties Not Substantially Sold Out at June 30, 2007 (in 0

	Sales for the three months ended June 30,			Sales for the six month ended June 30,		
Project	2006	2007	Difference	2006	2007	Differ
Chapel Ridge	$10,312	$ 5,478	$ (4,834)	$15,808	$10,494	$ (5,
Sanctuary River Club at St Andrews Sound	--	2,566	2,566	--	2,566	2,
Mystic Shores	8,664	10,932	2,268	17,814	18,489	
Havenwood at Hunter's Crossing	3,343	4,675	1,332	5,670	9,052	3,
Lake Ridge at Joe Pool Lake	4,027	1,834	(2,193)	8,900	4,531	(4,
Vintage Oaks at the Vineyard	--	5,680	5,680	--	10,176	10,
The Bridges at Preston Crossings ..	--	563	563	--	3,264	3,
SugarTree on the Brazos	240	922	682	780	1,592	
Saddle Creek Forest	1,294	1,634	340	4,002	3,123	(
The Settlement at Patriot Ranch ...	1,649	1,753	104	2,544	3,369	
King Oaks	--	1,270	1,270	--	3,177	3,
Total	$29,529	$37,307	$ 7,778	$55,518	$69,833	$ 14,

Properties Substantially Sold Out at June 30, 2007 (in 00

	Sales for the three months ended June 30,			Sales for the six mont ended June 30,		
Project	2006	2007	Difference	2006	2007	Diff

Sanctuary Cove at St. Andrews Sound	$ 3,577	$ --	$ (3,577)	$ 6,478	$ --	$ (
Fairway Crossings	228	--	(228)	426	12	
Mountain Springs Ranch	6,720	--	(6,720)	11,708	--	(1
Big Country	--	--	--	7,000	--	(
Catawba Falls Preserve	413	--	(413)	2,789	--	(
Brickshire	1,236	1,190	(46)	1,779	1,379	
Yellow Stone Creek Ranch	1,175	--	(1,175)	1,175	--	(
Miscellaneous	75	(145)	(220)	828	(79)	
Total	$13,424	$ 1,045	$(12,379)	$32,183	$ 1,312	$(3

Also contributing to lower sales in the three and six months ended June 30, 2007 as compared to 2006 was the net recognition of approximately $5.0 million and $9.5 million in 2006, respectively, of revenue previously deferred as a result of the application of the percentage-of-completion method of accounting as opposed to the net deferral of

31

$1.8 million and $2.1 million in the same periods of 2007. These decreases were partially off-set in the six months ended June 30, 2007 by the recognition of approximately $5.8 million of sales made in 2006 that were deferred pending final platting.

As noted above, certain of our properties substantially sold out earlier in 2006 than previously anticipated as a result of the strong demand for our communities and our challenge to replace sold-out properties with new communities with similar profit margins. Although there is no assurance that we will be successful, we are continuing to pursue the possible acquisition of properties in markets where we currently conduct business, and in new regions of the country, in an attempt to maintain appropriate levels of properties in our portfolio.

Bluegreen Communities' gross margin increased from 46% for the three months ended June 30, 2006 to 48% for the three months ended June 30, 2007. Bluegreen Communities' gross margin increased from 44% for the six months ended June 30, 2006 to 49% for the six months ended June 30, 2007. Variations in cost structures and the market pricing of projects available for sale as well as the opening of phases of projects, which include premium homesites (e.g., water frontage, preferred views, larger acreage homesites, etc.) impact the gross margin of Bluegreen Communities from period to period. These factors, as well as the impact of percentage-of-completion accounting, will cause variations in gross margin between periods, although the gross margin of Bluegreen Communities has historically been between 44% and 55% of sales and is expected to approximate these percentages for the foreseeable future. In addition, during the first half of 2006 our gross margin was negatively impacted by the bulk sale of Big Country, which had a relatively low margin.

Selling and marketing expenses for Bluegreen Communities increased $1.6 million or 20% during the three months ending June 30, 2007, as compared to the same period in 2006. Selling and marketing expenses for Bluegreen Communities decreased $0.3 million or 2% during the six months ending June 30, 2007, as compared to the same period in 2006. As a percentage of sales, selling and marketing expenses for Bluegreen Communities was 25% and 15% during the three months ended June 30, 2007 and 2006, respectively, and 20% and 15% during the six months ended June 30, 2007 and 2006, respectively. The increase in the second quarter of 2007 compared to the same period in 2006 is primarily a result of higher advertising expenses in 2007 at our new developments as well as an expanded focus on internet marketing, which has a longer lead time to generate customer traffic. As a percentage of sales, the increase in selling an marketing expenses during the second quarter and first half of 2007, as compared to the same periods in 2006, was primarily as a result of the shift to internet based marketing as well as bulk sale transactions in 2006, which generally carry a lower commission expense than sales made on a retail basis.

Bluegreen Communities' general and administrative expenses increased $0.8 million or 41% for the three months ended June 30, 2007, as compared to the same period in 2006. General and administrative expenses increased $0.9 million or 18% for the six months ended June 30, 2007, as compared to the same period in 2006. These increases in 2007 reflect the overall cost of operating additional sales offices at our new locations.

As of December 31, 2006, Bluegreen Communities had $18.6 million of sales and $7.7 million of Field Operating Profit deferred under percentage-of-completion accounting. As of June 30, 2007, Bluegreen Communities had $20.7 million of sales and $8.9 million of Field Operating Profit deferred under percentage-of-completion accounting.

Corporate General and Administrative Expenses. Our corporate general and administrative expenses consist primarily of expenses associated with administering the various support functions at our corporate headquarters, including accounting, human resources, information technology, resorts' acquisition and development, mortgage servicing, treasury and legal. Such expenses were $11.6 million and $13.1 million for the three months ended June 30, 2006 and 2007, respectively; and $21.6 million and $24.2 million for the six months ended June 30, 2006 and 2007, respectively.

Corporate general and administrative expenses increased $1.5 million or 13% during the three months ended June 30, 2007 as compared to the same period in 2006. Corporate general and administrative expenses increased $2.6 million or 12% during the six months ended June 30, 2007 as compared to the same period in 2006. These increases were primarily driven by increased overhead cost such as accounting, information technology, human resources, and legal fees to support the growth of Bluegreen Resorts, partially off-set by higher fees earned by our mortgage servicing business. As previously discussed, we earn fees for servicing the notes receivable that we have sold in term securitization transactions and through our VOI receivables purchase facilities.

32

For a discussion of field selling, general and administrative expenses, please see "Sales and Field Operations," above.

Interest Income. Interest income is earned from our notes receivable, retained interests in notes receivable sold and cash and cash equivalents. Interest income totaled $9.5 million and $12.1 million during the three months ended June 30, 2006 and June 30, 2007, respectively. Interest income totaled $17.7 million and $22.0 million during the six months ended June 30, 2006 and June 30, 2007, respectively. The increase in interest income during the three and six months ended June 30, 2007, as compared to the same periods in 2006 was due primarily to higher interest accretion on our retained interest in notes receivable sold and more interest income earned on VOI notes receivable as a result of higher average VOI notes receivable balances during 2007 as compared to the same periods in 2006.

Gain on Sales of Notes Receivable. During the three months ended June 30, 2006, we sold $16.6 million of VOI notes receivable that qualified for off-balance sheet sales treatment under SFAS No. 140 and recognized gains on sales of notes receivable of $2.7 million. As required under SFAS No. 152, approximately $2.6 million of the gains were recorded as an increase to VOI sales for the three months ended June 30, 2006. No VOI notes receivable were sold during the three months ended June 30, 2007 that qualified for off-balance sheet sales treatment.

During the six months ended June 30, 2006 and 2007, we sold $57.6 million and $51.2 million, respectively, of VOI notes receivable that qualified for off-balance sheet sales treatment under SFAS No. 140 and recognized gains on sales of notes receivable of $9.7 million and $8.0 million, respectively. As required under SFAS No. 152, approximately $9.2 million and $8.0 million of the gains were recorded as an increase to VOI sales for the six months ended June 30, 2006 and 2007, respectively.

The amount of notes receivable sold during a period depends on several factors, including the amount of availability, if any, under receivables purchase facilities, the amount of eligible receivables available for sale, our cash requirements, the covenants and other provisions of the relevant VOI receivables purchase facility (as described further below) and management's discretion. The generally accepted accounting principles governing our sale of receivable transactions is evolving and achieving off-balance sheet accounting treatment is becoming more difficult. Due to the complexity of the accounting rules surrounding such transactions, we have decided to limit the use of off-balance sheet structures. In 2006, we structured a VOI receivables purchase facility that is used to accumulate receivables pending a term securitization transaction in a manner so as to account for sales of receivables under such facilities as on-balance sheet borrowings pursuant to SFAS No. 140. No gains are recognized on the sales of receivables to this facility until the receivables are included in an appropriately structured term securitization transaction. We expect to continue this accounting treatment for similarly structured facilities for the foreseeable future. As a result, we expect that the volatility of our quarterly earnings will increase prospectively, but we do not anticipate that this will materially impact annual earnings, assuming the continued availability of the facilities and ultimate securitizations.

Interest Expense. Interest expense was $3.5 million and $5.9 million during the three months ended June 30, 2006 and 2007, respectively. Interest expense was $6.8 million and $11.0 million during the six months ended June 30, 2006 and 2007, respectively. The increase in interest expense during 2007 was primarily a result of higher average debt outstanding and higher interest rates partially offset by an increase in the amount of interest capitalized in connection with current development activity as compared to 2006. Average debt outstanding during 2007 increased in part as a result of the issuance of $36.1 million of trust preferred debt since June 30, 2006.

Total interest expense capitalized to construction in progress was $3.5 million and $3.9 million for the three months ended June 30, 2006 and 2007, respectively. Total interest expense capitalized to construction in progress was $5.8 million and $7.3 million for the six months ended June 30, 2006 and 2007, respectively.

Provision for Loan Losses. We recorded provisions for loan losses totaling $15.3 million and $15.2 million during the three months ended June 30, 2006 and 2007, respectively, and $25.9 million and $26.6 million during the six months ended June 30, 2006 and 2007, respectively. The provision is based on our estimate of losses on originated VOI receivables, excluding any benefit for the value of future recoveries, and is reflected as a reduction of VOI sales. The provision for loan losses fluctuates between periods based on the amount of financed VOI sales as well as the timing of the recognition of revenue on the sales transactions that created such receivables.

We determine the adequacy of our reserve for loan losses and review it on a regular basis considering, among other factors, historical frequency of default, loss experience, static pool analyses, estimated value of the underlying

collateral (communities notes receivable, only), present and expected economic conditions, as well as other factors. Effective January 1, 2006, we changed our accounting for loan losses on our VOI notes receivable in accordance with SFAS No. 152. Under SFAS No. 152, we estimate uncollectibles based on historic uncollectibles for similar VOI notes receivable. The average annual default rates and delinquency rates on Bluegreen Resorts' and Bluegreen Communities' receivables owned or serviced by us were as follows:

Average Annual Default Rates	For the Twelve Months Ended June 30,	
Division	2006	2007
Bluegreen Resorts	8.4%	7.2%
Bluegreen Communities	4.6%(1)	3.7%

Delinquency Rates	As of December 31,	As of June 30,
Division	2006	2007
Bluegreen Resorts	4.0%	3.2%
Bluegreen Communities	7.8%	10.3%

(1) Excludes December 2005 default of a $1.3 million note receivable, not made in the ordinary course of business.

Substantially all defaulted vacation ownership notes receivable result in the holder of the note receivable acquiring the related VOI that secured the note receivable. In cases where we have retained ownership of the vacation ownership notes receivable, the VOI is reacquired and resold in the normal course of business.

The allowance for loan losses by division as of December 31, 2006 and June 30, 2007 was as follows (in thousands):

	Bluegreen Resorts	Bluegreen Communities	Other	Total
December 31, 2006:				
Notes receivable	$ 150,649	$ 6,915	$ 186	$ 157,750
Allowance for loan losses	(13,140)	(173)	(186)	(13,499)
Notes receivable, net	$ 137,509	$ 6,742	$ --	$ 144,251

Allowance as a % of gross notes receivable	9%	3%	100%	9%
June 30, 2007:				
Notes receivable	$ 231,951	$ 6,445	$ 186	$ 238,582
Allowance for loan losses	(23,527)	(189)	(186)	(23,902)
Notes receivable, net	$ 208,424	$ 6,256	$ --	$ 214,680
Allowance as a % of gross notes receivable	10%	3%	100%	10%

Other Income (Expense), Net. Other income, net was $837,000 for the three months ended June 30, 2006 as compared to Other expense, net of $246,000 for the three months ended June 30, 2007. Other income, net was $690,000 for the six months ended June 30, 2006 as compared to other expense, net of $1.2 million for the six months ended June 30, 2007. The changes in other income/(expense), net, during the six months ended June 30, 2007 compared to the same period in 2006 included a charge of approximately $526,000 for the loss on disposal of various fixed assets.

Minority Interest in Income of Consolidated Subsidiary. We include the results of operations and financial position of Bluegreen/Big Cedar Vacations, LLC (the "Subsidiary"), our 51%-owned subsidiary, in our consolidated financial statements. (See Note 1 of the Notes to Condensed Consolidated Financial Statements). The minority interest in income of consolidated subsidiary is the portion of our consolidated pre-tax income that is earned by Big Cedar, L.L.C., the unaffiliated 49% interest holder in the Subsidiary. Minority interest in income of consolidated subsidiary was $1.7 million and $1.6 million during the three months ended June 30, 2006 and 2007, respectively,

before the cumulative effect of change in accounting principle. Minority interest in income of consolidated subsidiary was $2.7 million and $3.3 million during the six months ended June 30, 2006 and 2007, respectively, before the cumulative effect of change in accounting principle.

Provision for Income Taxes. Based on our anticipated mix of taxable earnings amongst states, we expect that our 2007 effective income tax rate will be approximately 38.0%. Our effective income tax rate varies as our mix of taxable earnings shifts amongst the various states in which we operate. Additionally, in March of 2007, we received notice from the IRS that our 2004 and 2005 federal income tax return had been selected for examination. Also, as previously noted, in July 2007 the State of Michigan enacted a tax change effective January 1, 2008. Although we have not yet completed our evaluation of this change, it may require us to increase our deferred tax liabilities for Michigan in the third quarter of 2007, when the new tax law was enacted.

Cumulative Effect of Change in Accounting Principle from the Adoption of SFAS No. 152. The adoption of SFAS No. 152 on January 1, 2006 resulted in a net charge of $4.5 million, which is presented as a cumulative effect of change in accounting principle. The cumulative effect of change in accounting principle primarily consists of the deferral of VOI sales and related costs for sales that were previously recognized but did not meet the required down payment threshold at January 1, 2006, due to sales incentives provided to buyers and the treatment of our Sampler Program, and the related tax benefit, net of the cumulative effect of change in accounting principle charge, related to the minority interest in the Subsidiary.

Summary. Based on the factors discussed above, our net income was $6.6 and $4.1 million during the three months ended June 30, 2006 and 2007, respectively. Net income for the six months ended June 30, 2006 and 2007 was $6.1 and $9.4 million, respectively.

Changes in Financial Condition

The following table summarizes our cash flows for the six months ended June 30, 2006 and 2007 (in thousands):

	For the Six Months Ended	
	June 30, 2006	June 30, 2007
	(restated)	
Cash flows used in operating activities	$ (52,072)	$ (60,030)
Cash flows provided (used) by investing activities .	1,367	(2,843)
Cash flows provided by financing activities	36,638	77,718
Net (decrease) increase in cash and cash equivalents	$ (14,067)	$ 14,845

Cash Flows From Operating Activities. Cash flows from operating activities decreased $7.9 million or 15% during the six months ended June 30, 2007, compared to the comparable prior year period. The decrease in cash flows from operating activities was primarily the result of higher resort development spending coupled with lower proceeds from the off balance-sheet sale of VOI notes receivable as more receivables were transformed under on-balance sheet facilities (see cash flows from financing activities below).

Cash Flows From Investing Activities. Cash flows from investing activities decreased $4.2 million or 308% from an inflow of $1.3 million during the six months ended June 30, 2006 to an outflow of $2.8 million during the six months ended June 30, 2007. This decrease was due primarily to lower amounts of cash received from our retained interests in notes receivable sold in 2007 compared to 2006 coupled with higher 2007 spending on capital assets, including information technology. The cash received on our retained interest varies based on the total retained interest outstanding, whether or not a sufficient reserve balance has been met (if required), and the timing of the actual cash distribution. During the six months ended June 30, 2006, we received $7.8 million after a unique trigger in our 2004 Term Securitization transaction was satisfied. At June 30, 2007, there were no similar triggers impacting our retained interests in notes receivable sold.

Cash Flows From Financing Activities. Cash flows from financing activities increased $41.1 million or 112% from a cash inflow of $36.6 million during the six months ended June 30, 2006 to a cash inflow of $77.7 million during the six months ended June 30, 2007. This increase was primarily related to higher net borrowings from collateralized notes receivable and the receipt of $20.6 million of proceeds in connection with our issuance of junior subordinated debentures as compared to $15.5 million of proceeds during the same period of 2006. These increases were partially offset by higher net repayments made under our existing lines-of-credit during the period ended June 30, 2007 as compared to net borrowings in 2006.

Liquidity and Capital Resources

Our capital resources are provided from both internal and external sources. Our primary capital resources from internal operations are: (i) cash sales, (ii) down payments on homesite and VOI sales which are financed, (iii) proceeds from the sale of, or borrowings collateralized by, notes receivable, including cash received from our retained interests in notes receivable sold, (iv) principal and interest payments received on the purchase money mortgage loans arising from sales of VOIs and homesites and (v) net cash generated from other resort services and other communities operations. Historically, external sources of liquidity have included non-recourse sales of notes receivable, borrowings under secured and unsecured lines-of-credit, seller and bank financing of inventory acquisitions and the issuance of debt securities. Our capital resources are used to support our operations, including (i) acquiring and developing inventory, (ii) providing financing for customer purchases, (iii) funding operating expenses and (iv) satisfying our debt and other obligations. As we are continually selling and marketing real estate (VOIs and homesites), it is necessary for us to acquire and develop new resorts and communities in order to maintain adequate levels of inventory to support operations. We anticipate that we will continue to require external sources of liquidity to support our operations, satisfy our debt and other obligations and to provide funds for growth.

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

Subject to the continued availability of financing and liquidity, we currently intend to continue to pursue a growth-oriented strategy, particularly with respect to our Bluegreen Resorts business segment. In connection with this strategy, we may from time to time acquire, among other things, additional resort properties and completed but unsold VOIs; land upon which additional resorts may be built; management contracts; loan portfolios of vacation ownership mortgages; portfolios which include properties or assets which may be integrated into our operations; interests in joint ventures; and operating companies providing or possessing management, sales, marketing, development, administration and/or other expertise with respect to our operations in the vacation ownership industry. In addition, we have focused Bluegreen Communities' activities on larger, more capital intensive projects particularly in those regions where we believe the market for our products is strongest, such as new golf communities in the Southeast and other areas and continued growth in our successful regions in Texas.

The following is a discussion of our purchase and credit facilities that were important sources of our liquidity as of June 30, 2007. These facilities do not constitute all of our outstanding indebtedness as of June 30, 2007. Our other indebtedness includes outstanding senior secured notes payable, junior subordinated debentures, borrowings collateralized by real estate inventories that were not incurred pursuant to an ongoing credit facility and capital leases.

VOI Receivables Purchase Facilities - Off-Balance Sheet Arrangements

Our ability to sell and/or borrow against our notes receivable from VOI buyers is a critical factor in our continued liquidity. When we sell VOIs, a financed buyer is only required to pay a minimum of 10% of the purchase in cash at the time of sale; however, selling, marketing and administrative expenses are primarily cash expenses and, in our case for the six months ended June 30, 2007, approximated 63% of sales. Accordingly, having facilities available for the hypothecation or sale of these VOI receivables is a critical factor to our ability to meet our short and long-term cash needs.

The 2006 GE Purchase Facility. In March 2006, we executed agreements for a VOI receivables purchase facility (the "2006 GE Purchase Facility") with General Electric Capital Corporation ("GE"). The 2006 GE Purchase Facility utilizes an owner's trust structure, pursuant to which we sell receivables to Bluegreen Receivables

Finance Corporation XI, our wholly-owned, special purpose finance subsidiary ("BRFC XI"), and BRFC XI sells the receivables to an owner's trust (a qualified special purpose entity) without recourse to us or BRFC XI except for breaches of certain customary representations and warranties at the time of sale. We did not enter into any guarantees in connection with the 2006 GE Purchase Facility. The 2006 GE Purchase Facility has detailed requirements with respect to the eligibility of receivables for purchase, and fundings under the 2006 GE Purchase Facility are subject to certain conditions precedent. Under the GE Purchase Facility, a variable purchase price of approximately 90% of the principal balance of the receivables sold, subject to adjustment under certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as GE has received a specified return, a specified over collateralization ratio is achieved, a cash reserve account is fully funded and all servicing, custodial, agent and similar fees and expenses have been paid. GE is entitled to receive a return equal to the applicable Swap Rate (which is essentially a published interest swap arrangement rate as defined in the 2006 GE Purchase Facility agreements) plus 2.35%, subject to use of alternate return rates in certain circumstances. In addition, we paid GE a structuring fee of approximately $437,500 in March 2006, which is being amortized on a straight-line basis through March 2008. Subject to the terms of the agreements, we act as servicer under the 2006 GE Purchase Facility for a fee.

The 2006 GE Purchase Facility includes various conditions to purchase, covenants, trigger events and other provisions customary for a transaction of this type. GE's obligation to purchase receivables under the 2006 GE Purchase Facility may terminate earlier than the dates noted above upon the occurrence of certain specified events set forth in the 2006 GE Purchase Facility agreements. These specified events, some of which are subject to materiality qualifiers and cure periods, include, without limitation, (i) the aggregate amount of all advances under the 2006 GE Purchase Facility being limited to $125.0 million, in the aggregate; (ii) our breach of the representations or warranties in the 2006 GE Purchase Facility; (iii) our failure to perform our covenants in the 2006 GE Purchase Facility; (iv) our commencement of bankruptcy or similar proceedings; (v) the amount of any advance under the 2006 GE Purchase Facility failing to meet a specified overcollateralization amount; (vi) significant delinquencies or defaults on the receivables sold, pursuant to the facility; (vii) recovery rates falling below a pre-determined amount; (viii) a default or breach under any other agreement beyond the applicable grace period if such default or breach (a) involves the failure to make a payment in excess of 5% of our Tangible Net Worth (as defined in the 2006 GE Purchase Facility agreements to include our subordinated debentures) or (b) causes, or permits the holder of indebtedness to cause, an amount in excess of 5% of our Tangible Net Worth to become due; (ix) our Tangible Net Worth at the end of any calendar quarter not equaling at least $303.3 million plus 50% of net income following December 31, 2005; (x) the ratio of our debt (excluding our subordinated debentures and receivable-backed debt of no more than $600 million) to Tangible Net Worth exceeding 2.50 to 1; (xi) the ratio of our consolidated earnings before interest, taxes, depreciation and amortization to our interest expense (net of interest income) falling below 2.00 to 1; (xii) the number of points available in the Bluegreen Vacation Club falling below approximately 930.7 million points; (xiii) our ceasing to conduct the VOI business or to originate VOI receivables or if certain changes in our ownership or control occur; (xiv) the failure of certain of our resorts to be part of the Bluegreen Vacation Club or be managed by us, one of our subsidiaries or another entity acceptable to GE; (xv) operating budgets and reserve accounts maintained by the property owners' associations responsible for maintaining certain of our resorts failing to comply with applicable laws and governing documents; (xvi) our failure to discharge, stay or bond pending appeal any final judgments for the payment of an amount in excess of 2.5% of our Tangible Net Worth in a timely manner; (xvii) our default under or breach of certain resort management or marketing contracts; or (xviii) our failure to perform our servicing obligations, otherwise have our servicing rights terminated or if we do not exercise the Servicer Purchase Option pursuant to the terms of the 2006 GE Purchase Facility.

The 2006 GE Purchase Facility allows for sales of notes receivable for a cumulative purchase price of up to $125.0 million through March 2008. During the six months ended June 30, 2007, we sold $51.2 million in VOI receivables under the 2006 GE Purchase Facility for an aggregate purchase price of $46.0 million. As of June 30, 2007, the remaining availability under the 2006 GE Purchase Facility was $14.2 million in cumulative purchase price, subject to eligibility requirements and fulfillment of conditions precedent.

The 2006 GE Purchase Facility discussed above, the 2006 BB&T Purchase Facility, the GMAC Receivables Facility, and the GE Bluegreen/Big Cedar Facility discussed below under "Credit Facilities for Bluegreen Resorts' Receivables and Inventories" are the only ongoing receivables facilities under which we currently have the ability to monetize our VOI notes receivable. Factors which could adversely impact our ability to obtain new or additional VOI receivable purchase facilities include a downturn in general economic conditions; negative trends in the commercial paper or LIBOR markets; increases in interest rates; a decrease in the number of financial institutions or other entities willing to enter into facilities with VOI companies; a deterioration in the performance of our VOI notes receivable or in the performance of portfolios sold in prior transactions, specifically increased delinquency,

37

default and loss severity rates; and a deterioration in our performance generally. There can be no assurance that we will obtain new purchase facilities or will be in a position to replace our existing purchase facilities when they are fully funded or expire. As indicated above, our inability to sell VOI receivables under a current or future facility could have a material adverse impact on our liquidity. However, management believes that to the extent we could not sell receivables under a purchase facility, we could potentially mitigate the adverse impact on our liquidity by using our receivables as collateral under existing or future credit facilities.

We have historically chosen to monetize our receivables through facilities such as the 2006 GE Purchase Facility and through periodic term securitization transactions, as these off-balance sheet arrangements provide us with cash inflows both currently and in the future at what we believe to be competitive rates without adding leverage to our balance sheet or retaining recourse for losses on the receivables sold. In addition, these sale transactions have generated gains on our income statement on a periodic basis, which would not be realized under a traditional financing arrangement. There is no assurance that these arrangements will be available in the future.

Historically, we have also been a party to a number of securitization-type transactions, all of which in our opinion utilize customary structures and terms for transactions of this type. In each securitization-type transaction, we sold receivables to a wholly-owned special purpose entity which, in turn, sold the receivables either directly to third parties or to a trust established for the transaction. In each transaction, the receivables were sold on a non-recourse basis (except for breaches of certain representations and warranties) and the special purpose entity has a retained interest in the receivables sold. We have acted as servicer of the receivables pools in each transaction for a fee, with the servicing obligations specified under the applicable transaction documents. Under the terms of the applicable securitization transaction, the cash payments received from obligors on the receivables sold are distributed to the investors (which, depending on the transaction, may acquire the receivables directly or purchase an interest in, or make loans secured by the receivables to, a trust that owns the receivables), parties providing services in connection with the facility, and our special purpose subsidiary as the holder of the retained interest in the receivables according to specified formulas. In general, available funds are applied monthly to pay fees to service providers, make interest and principal payments to investors, fund required reserves, if any, and pay distributions in respect of the retained interests in the receivables. Pursuant to the terms of the transaction documents; however, to the extent the portfolio of receivables fails to satisfy specified performance criteria (as may occur due to an increase in default rates or loan loss severity) or other trigger events, the funds received from obligors are distributed on an accelerated basis to investors. In effect, during a period in which the accelerated payment formula is applicable, funds go to outside investors until they receive the full amount owed to them and only then are payments made to our subsidiary in its capacity as the holder of the retained interests. 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. If the accelerated payment formula were to become applicable, the cash flow on the retained interests in the receivables would be reduced until the outside investors were paid or the regular payment formula was resumed. Such a reduction in cash flow could cause a decline in the fair value of our retained interests in the receivables sold. Declines in fair value that are determined to be other than temporary are charged to operations in the current period. In each facility, the failure of the pool of receivables to comply with specified portfolio covenants can create a trigger event, which results in the use of the accelerated payment formula (in certain circumstances until the trigger event is cured and in other circumstances permanently) and, to the extent there was any remaining commitment to purchase receivables from our special purpose subsidiary, the suspension or termination of that commitment. In addition, in each securitization facility certain breaches of our obligations as servicer or other events allow the indenture trustee to cause the servicing to be transferred to a substitute third party servicer. In that case, our obligation to service the receivables would terminate and we would cease to receive a servicing fee.

The following is a summary of significant financial information related to the 2006 GE Purchase Facility and prior off-balance sheet, receivables purchase facilities during the periods presented (in thousands):

	December 31, 2006	June 30, 2007
On Balance Sheet:		
Retained interests in notes receivable sold	$ 130,623	$ 128,442
Off Balance Sheet:		
Notes receivable sold without recourse	540,536	514,924
Principal balance owed to note receivable purchasers	503,854	481,394

	Three Months Ended	
	June 30, 2006	June 30,
Income Statement:		
Gain on sales of notes receivable (1)	$ 2,696	$
Interest accretion on retained interests in notes receivable sold	2,606	4
Servicing fee income	1,676	2

	Six Months Ended	
	June 30, 2006	June 30,
Income Statement:		
Gain on sales of notes receivable (1)	$ 9,707	$ 7
Interest accretion on retained interests in notes receivable sold	5,184	8
Servicing fee income	3,322	4

(1) Includes amounts classified as VOI sales, pursuant to SFAS No. 152.

In accordance with SFAS No. 152, approximately $2.6 million and $9.2 million of the gains on sales of notes receivable were recorded as an increase to VOI sales for the three and six months ended June 30, 2006, respectively. The remaining $47,000 and $552,000 of the gain has been recorded as a gain on the sales of notes receivable on the accompanying statements of income for the three and six months ended June 30, 2006, respectively. Approximately $8.0 million of the gain on sales of notes receivable was recorded as an increase to VOI sales for the six months ended June 30, 2007 and there were no sales of receivables that qualified for off-balance sheet treatment during the three months ended June 30, 2007.

Credit Facilities for Bluegreen's Receivables and Inventories

In addition to the VOI receivables purchase facilities discussed above, we maintain various credit facilities with financial institutions that provide receivable, acquisition and development financing for our operations. We had the following credit facilities, as of June 30, 2007 (see further discussion below):

Credit Facility	Outstanding Borrowings as of June 30, 2007	Availability as of June 30, 2007	Advance Period Expiration; Borrowing Maturity	Borrowing Limit	Borro Ra
The GMAC Receivables Facility	$13.7 million	$61.3 million	February 15, 2008; February 15, 2015	$75.0 million	30-day + 4.00
The GMAC AD&C Facility	$50.0 million	$100.0 million	February 15, 2008; August 15, 2013	$150.0 million	30-day + 4.50
2006 BB&T Purchase Facility	$51.4 million	$86.1 million	May 25, 2008; March 5, 2019	$137.5 million	30-day + 1.25
The GMAC Communities Facility	$46.4 million	$28.6 million	September 30, 2008; September 30, 2009	$75.0 million	Prime
The GE Bluegreen/Big Cedar Facility	$24.0 million	$21.0 million	April 16, 2009; April 16, 2016	$45.0 million	30-day + 1.75

Credit Facilities for Bluegreen Resorts' Receivables and Inventories

The GMAC Receivables Facility. In February 2003, we entered into a revolving VOI receivables credit facility (the "GMAC Receivables Facility") with Residential Funding Corporation ("RFC"), an affiliate of GMAC. The GMAC Receivables Facility has detailed requirements with respect to the eligibility of receivables for inclusion and other conditions to funding. The borrowing base under the GMAC Receivables Facility is 90% of the outstanding principal balance of eligible notes arising from the sale of VOIs. The GMAC Receivables Facility includes affirmative, negative and financial covenants and events of default. All principal and interest payments received on pledged receivables are applied to principal and interest due under the GMAC Receivables Facility. Interest payments are due monthly. During the six months ended June 30, 2007, we did not pledge any VOI receivables under the GMAC Receivables Facility.

The GMAC AD&C Facility. In September 2003, RFC also provided us with an acquisition, development and construction revolving credit facility for Bluegreen Resorts (the "GMAC AD&C Facility"). The borrowing period on the GMAC AD&C Facility, as amended, expires on February 15, 2008, and outstanding borrowings mature no later than August 15, 2013, although specific draws typically are due four years from the borrowing date. Principal will be repaid through agreed-upon release prices as VOIs are sold at the financed resorts, subject to minimum required amortization. Interest payments are due monthly. We borrowed $14.8 million under this facility during June 2007 to fund development activities at The Fountains Resort in Orlando, Florida.

The 2006 BB&T Purchase Facility. In June 2006, we executed agreements for a VOI receivables purchase facility (the "2006 BB&T Purchase Facility") with BB&T. While ownership of the receivables is transferred for legal purposes, the transfer of the receivables under the facility are accounted for as a financing transaction for financial accounting purposes. Accordingly, the receivables will continue to be reflected as assets and the associated obligations will be reflected as liabilities on our balance sheet. The 2006 BB&T Purchase Facility utilizes an owner's trust structure, pursuant to which we transfer receivables to Bluegreen Timeshare Finance Corporation I, our wholly-owned, special purpose finance subsidiary ("BTFC I"), and BTFC I subsequently transfers the receivables to an owner's trust without recourse to us or BTFC I, except for breaches of certain customary representations and warranties at the time of transfer. We did not enter into any guarantees in connection with the BB&T Purchase Facility. The 2006 BB&T Purchase Facility has detailed requirements with respect to the eligibility of receivables, and fundings under the BB&T Purchase Facility are subject to certain conditions precedent. Under the 2006 BB&T Purchase Facility, a variable purchase price of approximately 85% of the principal balance of the receivables transferred, subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price is deferred until such time as BB&T and other liquidity providers arranged by BB&T have in aggregate received a specified return (the "Specified Return") and all servicing, custodial, agent and similar fees and expenses have been paid. The Specified Return is equal to either the commercial paper rate or LIBOR rate plus 1.25%, subject to use of alternate return rates in certain circumstances. In addition, we will pay BB&T structuring and other fees totaling $1.7 million over the term of the facility and we will act as servicer under the 2006 BB&T Purchase Facility for a fee. The BB&T Purchase Facility allows for transfers of notes receivable for a cumulative purchase price of up to $137.5 million, on a revolving basis, through May 2008.

In April 2007, we transferred $20.4 million of VOI notes receivable to the 2006 BB&T Purchase Facility and received $17.3 million in cash proceeds. In June 2007, we transferred an additional $40.7 million of VOI notes receivable to the facility and received $34.6 million in cash proceeds. As of June 30, 2007, we had $86.1 million of remaining availability under the BB&T Purchase Facility. In August 2007, we transferred $32.0 million of VOI notes receivable to the 2006 BB&T Purchase Facility and received $27.2 million in cash proceeds. Immediately following the funding the remaining availability under the 2006 BB&T Purchase Facility, subject to the terms and conditions of the facility, was $58.9 million.

The GE Bluegreen/Big Cedar Facility. In April 2007, the Subsidiary entered into a $45.0 million revolving VOI receivables credit facility (the "GE Bluegreen/Big Cedar Receivables Facility") with GE. Bluegreen Corporation has guaranteed the full payment and performance of the Subsidiary in connection with the GE Bluegreen/Big Cedar Receivables Facility. The facility allows for advances on a revolving basis through April 16, 2009 and all outstanding borrowings mature no later than April 16, 2016. The facility has detailed requirements with respect to the eligibility of receivables for inclusion and other conditions to funding. The borrowing base under the facility ranges from 97% - 90% (based on the spread between the weighted average note receivable coupon and GE's interest rate) of the outstanding principal balance of eligible notes receivable arising from the sale of VOIs. The facility includes affirmative, negative and financial covenants and events of default. All principal and interest payments received on pledged receivables are applied to principal and interest due under the facility. Indebtedness under the facility bears interest adjusted monthly at the one month LIBOR plus 1.75%. The Subsidiary was required to pay an upfront loan commitment fee of $225,000 in connection with the GE Bluegreen/Big Cedar Receivables Facility. In April 2007, the Subsidiary pledged $26.8 million in aggregate principal balance of notes receivable under the facility and received $25.7 million in cash proceeds, net of issuance costs.

The Foothill Facility. We are currently seeking to renew a $30.0 million revolving credit facility with Wells Fargo Foothill, Inc. ("Foothill") primarily used for borrowings collateralized by Bluegreen Communities receivables and inventory, but under which we could also borrow up to $10.0 million of the facility collateralized by the pledge of VOI receivables. For further details on this facility, see "Credit Facilities for Bluegreen Communities' Receivables and Inventories" below. There is no assurance that the facility will be renewed.

Credit Facilities for Bluegreen Communities' Receivables and Inventories

The Foothill Facility. We are currently seeking to renew a $30.0 million revolving credit facility with Foothill secured by the pledge of Bluegreen Communities' receivables, with up to $10.0 million of the total facility available for Bluegreen Communities' inventory borrowings and, as indicated above, up to $10.0 million of the total facility available for the pledge of Bluegreen Resorts' receivables (the "Foothill Facility"). The Foothill Facility requires principal payments based on agreed-upon release prices as homesites in the encumbered communities are sold and bears interest at the prime lending rate plus 1.25% (9.5% at June 30, 2007). Interest payments are due monthly. Subject to a minimum monthly interest charge of $15,000, the interest rate charged on outstanding receivable borrowings under the Foothill Facility, as amended, is the prime lending rate plus 0.25% (8.5% at June 30, 2007) when the average monthly outstanding loan balance is greater than or equal to $15.0 million. If the average monthly outstanding loan balance is less than $15.0 million, the interest rate is the greater of 4.00% or the prime lending rate plus 0.50% (8.75% at June 30, 2007). All principal and interest payments received on pledged receivables are applied to principal and interest due under the Foothill Facility. There can be no assurances that we will renew the Foothill Facility on favorable terms, if at all.

The GMAC Communities Facility. We have a revolving credit facility with RFC (the "GMAC Communities Facility") for the purpose of financing our Bluegreen Communities real estate acquisitions and development activities. The GMAC Communities Facility is secured by the real property homesites (and personal property related thereto) at the following Bluegreen Communities projects, as well as any Bluegreen Communities projects acquired by us with funds borrowed under the GMAC Communities Facility (the "Secured Projects"): Brickshire (New Kent County, Virginia); Mountain Lakes Ranch (Bluffdale, Texas); Ridge Lake Shores (Magnolia, Texas); Riverwood Forest (Fulshear, Texas); Waterstone (Boerne, Texas); Catawba Falls Preserve (Black Mountain, North Carolina); Lake Ridge at Joe Pool Lake (Cedar Hill and Grand Prairie, Texas); Mystic Shores at Canyon Lake (Spring Branch, Texas); Yellowstone Creek Ranch (Walsenburg, Colorado); Havenwood at Hunter's Crossing (New Braunfels, Texas); The Bridges at Preston Crossing (Grayson County, Texas); King Oaks (College Station, Texas); Vintage Oaks at the Vineyard (New Braunfels, Texas); and Sanctuary River Club at St. Andrews Sound (St. Simons Island, Georgia). In addition, the GMAC Communities Facility is secured by our Carolina National and the Preserve at Jordan Lake golf courses in Southport, North Carolina and Chapel Hill, North Carolina, respectively. The period during which we can add additional projects to the GMAC Communities Facility expires on September 30, 2007, although we can continue to borrow on projects approved prior to that date until September 30, 2008. We are currently seeking to extend and expand the GMAC Communities

Facility, although there can be no assurance that we will be successful. Principal payments are effected through agreed-upon release prices paid to RFC, as homesites in the Secured Projects are sold. Interest payments are due monthly. The GMAC Communities Facility includes customary conditions to funding, acceleration and event of default provisions and certain financial affirmative and negative covenants. We use the proceeds from the GMAC Communities Facility to finance the acquisition and development of Bluegreen Communities projects.

In February 2007, we acquired 350 acres near St. Simons Island, Georgia, for $18.0 million for a new community to be called Sanctuary River Club at St. Andrews Sound. We borrowed $12.6 million under the GMAC Communities Facility in connection with the acquisition of this property. In February of 2007, we also borrowed $12.5 million under the GMAC Communities Facility to fund development activities on various communities.

Over the past several years, substantially all of our homesite sales have been for cash and we have not provided a significant amount of financing to homesite purchasers. Accordingly, in recent years we have reduced the borrowing capacity under credit agreements secured by Bluegreen Communities' receivables. We attribute the significant volume of cash sales to an increased willingness on the part of banks to extend direct customer homesite

financing at attractive interest rates. No assurances can be given that local banks will continue to provide such customer financing.

Historically, we have funded development for road and utility construction, amenities, surveys and engineering fees from internal operations and have financed the acquisition of Bluegreen Communities properties through seller, bank or financial institution loans. Terms for repayment under these loans typically call for interest to be paid monthly and principal to be repaid through homesite releases. The release price is usually an amount based on a pre-determined percentage (typically 25% to 55%) of the gross selling price of the homesites in the subdivision. In addition, the agreements generally call for minimum cumulative amortization periodically. When we provide financing to our customers (and therefore the release price is not available in cash at closing to repay the lender), we are required to pay the lender with cash derived from other operating activities, principally from cash sales or the pledge of receivables originated from earlier property sales.

Trust Preferred Securities

We have formed statutory business trusts (collectively, the "Trusts") and each issued trust preferred securities and invested the proceeds thereof in our junior subordinated debentures. The Trusts are variable interest entities in which we are not the primary beneficiary as defined by FASB Interpretation No. 46R. Accordingly, we do not consolidate the operations of the Trusts; instead, the Trusts are accounted for under the equity method of accounting. In each of these transactions, the applicable Trust issued trust preferred securities as part of a larger pooled trust securities offering which was not registered under the Securities Act of 1933. The applicable Trust then used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the trust preferred securities are payable quarterly in arrears at the same interest rate. Distributions on the trust preferred securities are cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable in whole or in part at our option at any time after five years from the issue date or sooner following certain specified events. In addition, we made an initial equity contribution to each Trust in exchange for its common securities, all of which are owned by us, and those proceeds were also used to purchase an identical amount of junior subordinated debentures from us. The terms of each Trust's common securities are nearly identical to the trust preferred securities.

In February 2007, one of the Trusts, Bluegreen Statutory Trust VI ("BST VI") issued $20.0 million of trust preferred securities. BST VI used the proceeds from issuing the trust preferred securities to purchase an identical amount of junior subordinated debentures from us. Interest on the junior subordinated debentures and distributions on the trust preferred securities will be payable quarterly in arrears at a fixed rate of 9.842% through April 2012, and thereafter at a variable rate of interest, per annum, reset quarterly, equal to the 3-month LIBOR plus 4.80% until the scheduled maturity date of April 30, 2037. Distributions on the trust preferred securities will be cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities will be subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable five years from the issue date or sooner following certain specified events. In addition, we contributed $619,000 to BST VI in exchange for its common securities, all of which are owned by us. Those proceeds were also used by BST VI to purchase an identical amount of junior subordinated debentures from us. The terms of BST VI's common securities are nearly identical to the trust preferred securities.

42

We had the following junior subordinated debentures outstanding at June 30, 2007 (dollars in thousands):

Trust	Outstanding Amount of Junior Subordinated Debentures	Initial Equity To Trust (3)	Issue Date	Fixed Interest Rate (1)	Variable Interest Rat (2)
Bluegreen Statutory Trust I	$ 23,196	$ 696	3/15/05	9.160%	3-month LIBOR + 4.90%
Bluegreen Statutory Trust II	25,774	774	5/04/05	9.158%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust III ...	10,310	310	5/10/05	9.193%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust IV	15,464	464	4/24/06	10.130%	3-month LIBOR + 4.85%
Bluegreen Statutory Trust V	15,464	464	7/21/06	10.280%	3-month LIBOR + 4.85%
					3-month

Bluegreen Statutory Trust VI	20,619	619	2/26/07	9.842%	LIBOR + 4.80%
	$ 110,827	$ 3,327			

(1) Both the trust preferred securities and junior subordinated debentures bear interest at a fixed interest rate from the issue date through the beginning optional redemption date.

(2) Both the trust preferred securities and junior subordinated debentures bear interest at a variable interest rate from the beginning optional redemption date through the maturity date.

(3) Initial equity in trust is recorded as part of Other assets in our Condensed Consolidated Balance Sheets.

Unsecured Credit Facility

In August 2007, we executed agreements to renew our unsecured line-of-credit with Wachovia Bank, N.A. and increase it from $15.0 million to $20 million. Amounts borrowed under the line bear interest at 30-day LIBOR plus 1.75.%. Interest is due monthly and all outstanding amounts are due on July 30, 2009. We can only borrow an amount under the line-of-credit which is less than the remaining availability under our current, active VOI receivables purchase facilities plus availability under certain receivables warehouse facilities, less any outstanding letters of credit. The line-of-credit agreement contains certain covenants and conditions typical of arrangements of this type. As of June 30, 2007, no borrowings were outstanding under the line. However, an aggregate of $35,000 of irrevocable letters of credit were provided under this line-of-credit. This line-of-credit is an available source of short-term liquidity for us.

Commitments

Our material commitments as of June 30, 2007 include the required payments due on our receivable-backed debt, lines-of-credit and other notes and debentures payable, commitments to complete our vacation ownership and communities projects based on our sales contracts with customers and commitments under noncancelable operating leases.

The following tables summarize the contractual minimum principal payments and interest obligations required on all of our outstanding debt (including our receivable-backed debt, lines-of-credit and other notes and debentures payable) and our noncancelable operating leases as of June 30, 2007, by period due (in thousands):

	Payments Due by Period				
Contractual Obligations and Outstanding Debt	Less than 1 year	1 -- 3 Years	4 -- 5 Years	After 5 Years	Total
Receivable-backed notes payable	$ 15	$ 3,355	$ --	$ 89,138	$ 92,508

Lines-of-credit and notes payable	31,700	90,611	551	3,350	126,212
10.50% senior secured notes payable	55,000	--	--	--	55,000
Junior subordinated debentures	--	--	--	110,827	110,827
Noncancelable operating leases	10,151	15,000	8,269	1,126	34,546
Total contractual obligations	$ 96,866	$108,966	$8,820	$204,441	$419,093

Interest Obligations (1)	Payments Due by Period Less than 1 year	1 -- 3 Years	4 -- 5 Years	After 5 Years	Total
Receivable-backed notes payable	$ 5,796	$ 11,070	$10,987	$ 15,458	$ 43,311
Lines-of-credit and notes payable	9,842	9,873	528	4,566	24,809
10.50% senior secured notes payable	5,775	--	--	--	5,775
Junior subordinated debentures	10,618	21,236	21,236	269,326	322,416
Total contractual obligations	$ 32,031	$ 42,179	$32,751	$289,350	$396,311

(1) For interest on variable rate debt, we have assumed that the interest rate remains the same as the rate at June 30, 2007.

We intend to use cash flow from operations, including cash received from the sale of VOI notes receivable, and cash received from new borrowings under existing or future debt facilities in order to satisfy the principal payments due on the contractual obligations. While we believe that we will be able to meet required debt payments when due, there can be no assurance that this will be the case.

As noted above, we have $35,000 in letters-of-credit outstanding at June 30, 2007, all of which were issued under the unsecured line-of-credit with Wachovia Bank, N.A.

We estimate that the cash required to complete resort buildings in which sales have occurred and resort amenities and other common costs in projects in which sales have occurred to be approximately $21.2 million as of June 30, 2007. We estimate that the total cash required to complete our Bluegreen Communities projects in which sales have occurred to be approximately $80.3 million as of June 30, 2007. These amounts assume that we are not obligated to develop any building, project or amenity in which a commitment has not been made through a sales contract to a customer; however, we anticipate that we will incur such obligations in the future. We plan to fund these expenditures over the next five years primarily with available capacity on existing or proposed credit facilities and cash generated from operations. There can be no assurance that we will be able to obtain the financing or generate the cash from operations necessary to complete the foregoing plans or that actual costs will not exceed those estimated.

We believe that our existing cash, anticipated cash generated from operations, anticipated new permitted borrowings under existing or proposed credit facilities and anticipated future sales of notes receivable under the purchase facilities, and one or more replacement facilities we will seek to put in place will be sufficient to meet our anticipated working capital, capital expenditures and debt service requirements for the foreseeable future. We will be required to renew or replace credit and receivables purchase facilities that have expired or that will expire in the near term. We will, in the future, also require additional credit facilities or will be required to issue corporate debt or equity securities. Any debt incurred or issued by us may be secured or unsecured, bear fixed or variable rate interest and may be subject to such terms as the lender may require and management deems prudent. There can be no assurance that the credit facilities or receivables purchase facilities which have expired or which are scheduled to expire in the near term will be renewed or replaced or that sufficient funds will be available from operations or under existing, proposed or future revolving credit or other borrowing arrangements or receivables purchase facilities to meet our cash needs, including, our debt service obligations. To the extent we are not able to sell notes receivable or borrow under such facilities, our ability to satisfy our obligations would be materially adversely affected.

Our credit facilities, indentures, and other outstanding debt instruments, and receivables purchase facilities include customary conditions to funding, eligibility requirements for collateral, cross-default and other acceleration provisions, certain financial and other affirmative and negative covenants, including, among others, limits on the incurrence of indebtedness, limits on the repurchase of securities, payment of dividends, investments in joint ventures and other restricted payments, the incurrence of liens, transactions with affiliates, covenants concerning net worth, fixed charge coverage requirements, debt-to-equity ratios, portfolio performance requirements and events of default or termination. No assurance can be given that we will not be required to seek waivers of such covenants or that such covenants will not limit our ability to raise funds, sell receivables, satisfy or refinance our obligations or otherwise adversely affect our operations. In addition, our future operating performance and ability to meet our financial obligations will be subject to future economic conditions and to financial, business and other factors, many of which will be beyond our control.

Item 4. Controls and Procedures.

a) As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our principal executive officer and principal financial officer of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of June 30, 2007. Based on such evaluation, such officers have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us that is required to be included in our periodic SEC filings.

b) There has been no change in our internal control over financial reporting during the quarter ended June 30, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Bluegreen Southwest One, L.P., ("Southwest"), a subsidiary of Bluegreen Corporation, is the developer of the Mountain Lakes subdivision in Texas. In Cause No. 28006; styled Betty Yvon Lesley et al v. Bluff Dale Development Corporation, Bluegreen Southwest One. L.P.et al. in the 266th Judicial District Court, Erath County, Texas, the Plaintiffs filed a declaratory judgment action against Southwest in which they seek to develop their reserved mineral interests in, on and under the Mountain Lakes subdivision. Plaintiffs' claims are based on property law, oil and gas law, contract and tort theories. The property owners association and some of the individual landowners have filed cross actions against Bluegreen, Southwest and individual directors of the property owners association related to the mineral rights and related to certain amenities in the subdivision as described below. On January 17, 2007, the court ruled that the restrictions placed on the development that prohibited oil and gas production and development were invalid and not enforceable as a matter of law, that such restrictions do not prohibit the prior reserved mineral interests of the Plaintiffs from being developed and that a duty to exercise the right to lease the minerals to third parties for development exists and has been breached. The Court further ruled, that Southwest is the sole holder of the right to lease the minerals to third parties. The order granting the Plaintiffs motion was severed into a new cause styled Cause No. 28769 Betty Yvon Lesley et al v. Bluff Dale Development Corporation, Bluegreen Southwest One. L.P.et al. in the 266th Judicial District Court, Erath County, Texas. Southwest has appealed the trial court's ruling but, at this time, is unable to predict the ultimate resolution of the litigation. The appeal is styled Bluegreen Southwest One, LP et al. v. Betty Yvon Lesley et al.; in the 11th Court of Appeals, Eastland, Texas. Bluegreen does not believe that it has material exposure to the property owners association based on the cross claim relating to the mineral rights other than the potential claim for legal fees incurred by the property owners association. As of June 30, 2007, Bluegreen established a reserve of $1.3 million in connection with the issues raised related to the mineral rights claims. Separately, one of the amenity lakes in the Mountain Lakes development did not reach the expected level after construction was completed. Owners of homesites within the Mountain Lakes subdivision and the Property Owners Association of Mountain Lakes have asserted claims against Southwest and Bluegreen regarding such failure as part of the Lesley litigation referenced above as well as in Cause No. 067-223662-07; Property Owners Association of Mountain Lakes Ranch, Inc. v. Bluegreen Southwest One, L. P., et al.; in the 67TH Judicial District Court of Tarrant County, Texas. Southwest has been and continues to investigate the causes and circumstances for the delay of the lake to fill and currently estimates that the cost of remediating the condition will be approximately $3.0 million, which was accrued during the year ended December 31, 2006. Additional claims may be pursued against us in the future in connection with these matters, but it is not possible at this time to estimate the likelihood of loss or amount of potential exposure with respect to any such matters.

We filed suit against the general contractor with regard to alleged construction defects at our Shore Crest Vacation Villas resort in South Carolina; styled Shore Crest Vacation Villas II Owners Association, Inc., Bluegreen Corporation vs. Welbro Constructors, S.C., Inc. et al. Case No.: 04-CP-26-500 and Shore Crest Vacation Villas Owners Association, Inc., Bluegreen Vacations Unlimited, Inc., as successor to Patten Resorts, Inc. and as successor to Bluegreen Resorts, Inc. vs. Welbro Constructors Inc. et al. Case No. 04-CP-26-499. Whether the matter is settled by litigation or by negotiation, it is possible that we may need to participate financially in some way to correct the construction deficiencies. We estimate that the total cost of repairs to correct the defects will range from $4 million to $6 million. We can not predict the extent of the financial obligation that we may incur.

In Michelle Alamo, Ernest Alamo, Toniann Quinn and Terrance Quinn v. Vacation Station, LLC, LeisurePath Vacation Club, LeisurePath, Inc., Bluegreen Corporation, Superior Court of New Jersey, Bergen County, Docket No. L-6716-05, Civil Action, Plaintiffs filed a purported "Class Action Complaint" on September 23, 2005. The Complaint raises allegations concerning the marketing of the LeisurePath Travel Services Network product to the public, and, in particular, New Jersey residents by Vacation Station, LLC, an independent distributor of travel products. Vacation Station, LLC purchased LeisurePath membership kits from LeisurePath, Inc.'s Master Distributor, Mini Vacations, Inc. and then sold the memberships to consumers. The initial Plaintiffs (none of whom actually bought the Leisure Path product) assert claims for violations of the New Jersey Consumer Fraud Act, fraud, nuisance, negligence and for equitable relief all stemming from the sale and marketing by Vacation Station, LLC of the LeisurePath Travel Services Network. Plaintiffs are seeking the gifts and prizes they were allegedly told by Vacation Station, LLC that they won as part of the sales promotion, and that they be given the opportunity to rescind their agreement with LeisurePath along with a full refund. Plaintiffs further seek punitive damages, compensatory damages, attorney's fees and treble damages of unspecified amounts. In February of 2007, the Plaintiffs amended the complaint to add two additional Plaintiffs/proposed class representatives, Bruce Doxey and Karen Smith-Doxey.

46

Unlike the initial Plaintiffs who were first contacted by Vacation Station, LLC some seven (7) months after LeisurePath terminated its relationship with Vacation Station, LLC and did not purchase LeisurePath products, the Doxeys purchased a participation in the LeisurePath Travel Services Network. On March 16, 2007, the Court denied a motion filed by Leisure Path and Bluegreen Corporation to dismiss the Doxeys as parties to the lawsuit. Leisure Path and Bluegreen Corporation intend to vigorously contest this action. Vacation Station, LLC and its owner have each filed for bankruptcy protection.

Item 1A. Risk Factors.

There has been a material deterioration in the sub-prime lending markets which could adversely impact our liquidity and our earnings - We do not perform credit checks or obtain FICO(R) scores of the purchasers of our VOIs in connection with our financing of their purchases. However, from time to time we obtain FICO(R) scores in connection with the sale of certain of our VOI notes receivable, or otherwise, and we are aware that a significant portion of the vacation ownership customers we finance are considered "sub-prime borrowers." We believe that as of May 2007, approximately 30% of VOI borrowers in our serviced loan portfolio had a FICO score below 620. Although to date we have not experienced an increase in defaults or delinquencies in our loan portfolio, conditions in the sub-prime mortgage industry have been deteriorating. If default rates for our borrowers were to rise, it may increase the provision for loan losses and reduce the value of our retained interests in notes receivable sold. In addition, it may cause buyers of, or lenders collateralized by, our VOI notes receivable to reduce the amount of availability of receivables purchase and credit facilities, or to increase the interest costs associated with such facilities. In such an event, the cost of financing may increase and we may not be able to secure financing on terms acceptable to us, which could adversely affect our earnings, financial position, and cash flow.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We did not repurchase any of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934. Our Board of Directors has adopted and publicly announced a share repurchase program. Repurchases under such programs from time to time are subject to the price of our stock, prevailing market conditions, our financial condition and available resources, other investment alternatives and other factors. We are not required to seek shareholder approval of share repurchase programs, have not done so in the past, and do not anticipate doing so in the future, except to the extent we may be required to do so under applicable law. We have not repurchased any shares since the fiscal year ended April 1, 2001. As of June 30, 2007, 694,500 shares remained available for purchase under our current repurchase program.

Item 4. Submission of Matters to a Vote of Security Holders.

On May 15, 2007, the Company held its annual meeting of shareholders. Results of votes with respect to proposals submitted at that meeting are as follows:

a) The election of three directors for a term of three years expiring at the 2010 annual meeting of shareholders. Votes recorded, by nominee, were as follows:

	Shares Voted			
Nominee	For	Against	Abstain	Total
Alan B. Levan	26,149,522	--	3,672,799	29,822,321
Lawrence A. Cirillo	27,321,425	--	2,500,896	29,822,321
Mark A. Nerenhausen	27,320,618	--	2,501,703	29,822,321

The Company's Board of Directors is divided into three classes that have terms expiring at the Company's Annual Meeting of Shareholders over the next three years.

Item 6. Exhibits.

Exhibits:

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements 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.

BLUEGREEN CORPORATION
(Registrant)

Date: August 9, 2007 By:/s/ JOHN M. MALONEY, JR.

John M. Maloney, Jr.,
President and Chief Executive Officer

Date: August 9, 2007 By:/s/ ANTHONY M. PULEO

Anthony M. Puleo,
Senior Vice President, Chief Financial Officer and Treasurer
Principal Financial Officer)

Date: August 9, 2007 By:/s/ RAYMOND S. LOPEZ

Raymond S. Lopez,
Vice President and Chief Accounting Officer
(Principal Accounting Officer)