BBX CAPITAL CORP
Form 10-Q
May 15, 2013
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _______ to _______

Commission files number 001-13133

BBX CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

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

(954) 940-4000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

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

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

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

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

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED

(In thousands, except share data)		March 31, 2013	December 31, 2012
ASSETS			
Cash and interest bearing deposits in banks ($5,635 and $6,615 in Variable Interest Entity ("VIE"))	$	70,080	62,873
Tax certificates, net of allowance of $2,096 and $3,559 ($2,241 and $3,389, net of allowance of $2,096 and $3,559 in VIE)		2,241	3,389
Loans held for sale ($18,388 and $20,052 in VIE)		22,324	24,748
Loans receivable, net of allowance for loan losses of $5,249 and $5,311 ($206,404 and $242,506, net of allowance of $4,571 and $4,003 in VIE)		254,812	292,562
Accrued interest receivable ($1,226 and $1,636 in VIE)		1,239	1,675
Real estate owned ($24,690 and $21,997 in VIE)		76,780	82,161
Real estate held for sale		889	889
Office properties and equipment, net		1,068	1,096
Other assets ($188 and $13 in VIE)		1,751	1,310
Investments in real estate joint venture		1,300	-
Total assets	$	432,484	470,703
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
BB&T preferred interest in FAR, LLC ($164,070 and $196,877 in VIE)	$	164,070	196,877
Notes payable		10,360	10,301
Other liabilities ($13,725 and $13,603 in VIE)		23,702	23,201
Total liabilities		198,132	230,379
Commitments and contingencies (Note 9)			
Stockholders' Equity:			
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		-	-
Class A common stock, $.01 par value, authorized 25,000,000			

shares; issued and outstanding 15,609,964 and 15,577,464 shares	155	155
Class B common stock, $.01 par value, authorized 1,800,000		
shares; issued and outstanding 195,045 and 195,045 shares	2	2
Additional paid-in capital	331,657	331,097
Accumulated deficit	(97,462)	(90,930)
Total stockholders' equity	234,352	240,324
Total liabilities and stockholders' equity	$ 432,484	470,703

See Notes to Consolidated Financial Statements - Unaudited

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BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

		For the Three Months Ended March 31,	
		2013	2012
Revenues:			
Interest income	$	3,045	8,335
Income from unconsolidated companies		-	120
Net gains on the sales of assets held for sale		2,062	1,213
Other		492	84
Total revenues		5,599	9,752
Expenses:			
BB&T's priority return in FAR distributions		1,013	-
Interest expense		169	4,167
Provision for (reversals of) loan losses		759	(765)
Employee compensation and benefits		3,343	5,259
Occupancy and equipment		242	2,168
Professional fees		2,163	6,197
Asset impairments		2,165	2,004
Other		2,277	3,893
Total expenses		12,131	22,923
Loss from continuing operations before income taxes		(6,532)	(13,171)
Provision for income taxes		-	1
Loss from continuing operations		(6,532)	(13,172)
Discontinued operations			
Loss from discontinued operations		-	(1,036)
Provision for income taxes		-	-
Loss from discontinued operations		-	(1,036)
Net loss	$	(6,532)	(14,208)
Basic loss per share			
Continuing operations	$	(0.41)	(0.84)
Discontinued operations		-	(0.07)
Basic loss per share	$	(0.41)	(0.91)
Diluted loss per share			
Continuing operations	$	(0.41)	(0.84)
Discontinued operations		-	(0.07)
Diluted loss per share	$	(0.41)	(0.91)
Basic weighted average number of common shares outstanding		15,785,870	15,659,257
Diluted weighted average number of common and common			

equivalent shares outstanding	15,785,870	15,659,257

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS - UNAUDITED

(In thousands, except share and per share data)		For the Three Months Ended March 31, 2013	2012
Net loss	$	(6,532)	(14,208)
Other comprehensive loss, net of tax:			
Unrealized loss on securities available for sale, net of tax		-	(524)
Reclassification adjustments		-	-
Other comprehensive loss, net of tax		-	(524)
Comprehensive loss	$	(6,532)	(14,732)

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012 - UNAUDITED

(In thousands)		Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
BALANCE, DECEMBER 31, 2011	$	156	329,995	(326,692)	(20,385)	(16,926)
Net loss		-	-	(14,208)	-	(14,208)
Other comprehensive loss		-	-	-	(524)	(524)
Share based compensation expense		1	95	-	-	96
BALANCE, MARCH 31, 2012	$	157	330,090	(340,900)	(20,909)	(31,562)
BALANCE, DECEMBER 31, 2012	$	157	331,097	(90,930)	-	240,324
Net loss				(6,532)	-	(6,532)
Share based compensation expense		-	560	-	-	560
BALANCE, MARCH 31, 2013	$	157	331,657	(97,462)	-	234,352

See Notes to Consolidated Financial Statements - Unaudited

BBX CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

		For the Three Months Ended March 31,	
(In thousands)		2013	2012
Net cash (used in) provided by operating activities	$	(4,485)	9,186
Investing activities:			
Proceeds from redemption of tax certificates		812	10,345
Purchase of tax certificates		(31)	(145)
Proceeds from maturities of securities available for sale		-	5,365
Proceeds from maturities of interest bearing deposits		-	5,655
Net repayments of loans		30,789	120,498
Proceeds from the sales of loans transferred to held for sale		-	1,000
Proceeds from sales of real estate owned		14,256	14,081
Purchases of office property and equipment		(27)	(8)
Proceeds from the sale of office properties and equipment		-	1,154
Investment in real estate joint venture		(1,300)	-
Net cash provided by investing activities		44,499	157,945
Financing activities:			
Net increase in deposits		-	177,377
Repayment of BB&T preferred interest in FAR, LLC		(32,807)	-
Net cash (used in) provided by financing activities		(32,807)	177,377
Increase in cash and cash equivalents		7,207	344,508
Cash and cash equivalents at the beginning of period		62,377	764,636
Change in cash and cash equivalents held for sale		-	(49,676)
Cash and cash equivalents at end of period	$	69,584	1,059,468
Cash paid (received) for:			
Interest on borrowings and deposits	$	1,098	3,286
Income tax refund		-	(1,053)
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to REO		8,023	12,467
Loans receivable transferred to loans held-for-sale		-	16,140

See Notes to Consolidated Financial Statements - Unaudited

BBX Capital Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Presentation of Interim Financial Statements

Basis of Financial Statement Presentation – BBX Capital Corporation is referred to herein as the “Parent Company” or “BBX Capital” and, together with its subsidiaries, is referred to as “the Company”, “we”, “us,” or “our”. BBX Capital was organized under the laws of the State of Florida in 1994. We are a Florida-based company, involved in the ownership, financing, acquisition and management of real estate and real estate related assets and businesses.

The Company has two classes of common stock, Class A Common Stock and Class B Common Stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC Financial Corporation (“BFC”) currently owns 100% of the Company’s Class B common stock and 53% of the Company’s outstanding Class A common stock, which represents 53% of the Company’s aggregate outstanding common stock and 75% of the voting power of the Company’s common stock.

On May 7, 2013, BFC and BBX Merger Sub, LLC, a newly formed wholly owned subsidiary of BFC (“Merger Sub”), entered into a definitive merger agreement (the “Merger Agreement”) with BBX Capital. The Merger Agreement provides for BBX Capital to merge with and into Merger Sub (the “Merger”), with Merger Sub continuing as the surviving company of the Merger and a wholly owned subsidiary of BFC. Under the terms of the Merger Agreement, which has been approved by a special committee comprised of BBX Capital’s independent directors as well as the full boards of directors of both BFC and BBX Capital, BBX Capital’s shareholders (other than BFC and shareholders of BBX Capital who exercise and perfect their appraisal rights in accordance with Florida law) will be entitled to receive 5.39 shares of BFC’s Class A Common Stock in exchange for each share of BBX Capital’s Class A Common Stock that they hold at the effective time of the Merger (as such exchange ratio may be adjusted in accordance with the terms of the Merger Agreement, the “Exchange Ratio”). Each option to acquire shares of BBX Capital’s Class A Common Stock that is outstanding at the effective time of the Merger, whether or not then exercisable, will be converted into an option to acquire shares of BFC’s Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares which may be acquired upon exercise of the option will be multiplied by the Exchange Ratio and the exercise price of the option will be divided by the Exchange Ratio. In addition, each share of BBX Capital’s Class A Common Stock subject to a restricted stock award outstanding at the effective time of the Merger will be converted into a restricted share of BFC’s Class A Common Stock and be subject to the same terms and conditions as in effect at the effective time of the Merger, except that the number of shares subject to the award will be multiplied by the Exchange Ratio.

Consummation of the Merger is subject to certain closing conditions, including, without limitation, the approval of BFC’s and BBX Capital’s respective shareholders, BFC’s Class A Common Stock being approved for listing on a national securities exchange (or interdealer quotation system of a registered national securities association) at the effective time of the Merger, holders of not more than 10% of BBX Capital's common stock exercising appraisal rights, and the absence of any "Material Adverse Effect" (as defined in the Merger Agreement) with respect to either BFC or BBX Capital.

BBX Capital currently expects to consummate the Merger promptly after all conditions to closing are satisfied.

On April 2, 2013, the Company invested $71.75 million in Woodbridge Holdings, LLC ("Woodbridge") in exchange for a 46% equity interest in Woodbridge. The investment was made in connection with Woodbridge's acquisition of the publicly held shares of Bluegreen Corporation ("Bluegreen"). BFC owns the remaining 54% of Woodbridge. The Company's investment in Woodbridge consisted of $60 million in cash and a promissory note in Woodbridge's favor in the principal amount of $11.75 million (the "Note"). The Note has a term of five years, accrues interest at a rate of 5% per annum and provides for the Company to make payments of interest only on a quarterly basis during the term of the Note, with all outstanding amounts being due and payable at the end of the five-year term.

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

Pursuant to the terms of the BB&T Transaction, BankAtlantic formed BBX Capital Asset Management, LLC ("CAM") and Florida Asset Resolution Group, LLC ("FAR"). BankAtlantic contributed to FAR certain performing and non-performing loans, tax certificates and real estate owned that had an aggregate carrying value on BankAtlantic's balance sheet of approximately $346 million as of July 31, 2012 (the date the BB&T Transaction was consummated). FAR assumed all liabilities related to these assets. BankAtlantic also contributed $50 million of cash to FAR on July 31, 2012. Prior to the closing of the BB&T Transaction, BankAtlantic distributed all of the membership interests in FAR to the Company. At the closing of the BB&T Transaction, the Company transferred to BB&T 95% of the outstanding preferred membership interests in FAR in connection with BB&T's assumption of the Company's then outstanding trust preferred securities ("TruPS") obligations. The Company continues to hold the remaining 5% of FAR's preferred membership interests. BB&T will hold its 95% preferred interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum on any unpaid preference amount. At that time, BB&T's interest in FAR will terminate, and the Company will thereafter be entitled to any and all residual proceeds from FAR through its ownership of FAR's Class R units. It is expected that the assets contributed to FAR will be monetized over a period of seven years, or longer provided BB&T's preference amount is repaid within such seven-year period. The Company entered into an incremental $35 million guarantee in BB&T's favor to further assure BB&T's recovery of the $285 million preferred interest.

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

BankAtlantic's historical Community Banking, Investment, Capital Services and Tax Certificate reporting units are reflected as "Discontinued Operations" in the Company's unaudited Consolidated Statements of Operations for the three months ended March 31, 2012. The Company has continued to service and manage and may originate commercial loans following the sale of BankAtlantic to BB&T. As a result, the historical operations for BankAtlantic's commercial lending reporting unit are included in the Company's unaudited Consolidated Statement of Operations as continuing operations for the three months ended March 31, 2012. The Consolidated Statement of Stockholders' Equity (Deficit), Consolidated Statements of Comprehensive Loss and Consolidated Statement of Cash Flows remain unchanged from the historical presentation for the three months ended March 31, 2012.

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

Included in cash and due from banks in the Company's Consolidated Statement of Financial Condition as of March 31, 2013 and December 31, 2012 was $0.5 million and $0.5 million, respectively, of time deposits with other banks.

These time deposits had original maturities of greater than 90 days and accordingly are not considered cash equivalents.

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

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

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

2. Discontinued Operations

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

Pursuant to the Agreement with BB&T, in addition to certain assets associated with the Company's continuing Commercial Lending reporting unit, FAR also retained certain assets and liabilities that were associated with the Company's disposed reporting units (Community Banking, Tax Certificates, Investments, and Capital Services reporting units). The Company determined that the ongoing cash flows relating to the retained assets of the disposed reporting units expected in future periods were not significant relative to the historical cash flows from the activities of each reporting unit; therefore, the income and expenses associated with the disposed reporting units are reported in discontinued operations for the three months ended March 31, 2012. The results of operations and cash flows associated with the retained assets associated with the disposed reporting units were included in continuing operations for the three months ended March 31, 2013.

The income from Community Banking, Investments, Capital Services and Tax Certificates reporting units included in discontinued operations for the three months ended March 31, 2012 was as follows (in thousands):

	For the Three Months Ended March 31, 2012
Net interest income	$ 17,473
Provision for loan losses	9,217
Net interest income after provision for loan losses	8,256
Total non-interest income	17,524

Total non-interest expense (1)		26,816
Loss from discontinued operations before provision for income taxes		(1,036)
Provision for income taxes		-
Loss from discontinued operations	$	(1,036)

(1) Pursuant to applicable accounting rules, all general corporate overhead was allocated to continuing operations.

3. Variable Interest Entity - FAR

In consideration for BB&T assuming the Company's $285.4 million in principal amount of TruPS, BB&T received from the Company at the closing of the BB&T Transaction a 95% preferred membership interest in the net cash flows of FAR until such time as it has recovered $285 million in preference amount plus a priority return of LIBOR + 200 basis points per annum. At that time, BBT's interest in FAR will terminate, and the Company, which initially holds a 5% preferred membership interest in the net cash flows of FAR, will thereafter be entitled to any and all residual proceeds. FAR's assets are expected to be monetized over a period of seven years, or longer provided BB&T's preference amount is repaid within such seven-year period. The Company provided BB&T with an incremental $35 million guarantee to further assure BB&T's recovery of the $285 million preference amount. At March 31, 2013, BB&T's preferred interest in FAR has been reduced to approximately $164 million.

The Company's variable interests in FAR include its 5% preferred membership interest in the cash flows of FAR, rights to all residual cash flows after satisfaction of the preferred membership interests, and the incremental $35 million guarantee in favor of BB&T. The Company also services approximately $37 million of FAR commercial loans and has a right of first refusal to acquire certain FAR commercial loans. It can also purchase certain commercial loans on a basis established in FAR's operating agreement.

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

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

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

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

		March 31, 2013	December 31, 2012
Cash and interest bearing deposits in banks	$	5,635	6,615
Tax certificates, net		2,241	3,389
Loans held for sale		18,388	20,052
Loans receivable, net		206,404	242,506
Real estate owned		24,690	21,997
Accrued interest receivable		1,226	1,636
Other assets		188	13
Total assets	$	258,772	296,208
BB&T preferred interest in FAR, LLC	$	164,070	196,877

Other liabilities		13,725	13,603
Total liabilities	$	177,795	210,480

Until BB&T's preference amount is repaid, the proceeds from the monetization of FAR's assets are restricted to payments of expenses, including the priority return and estimated working capital requirements of FAR, and the repayment of FAR's preferred membership interests. FAR anticipates making quarterly distributions. As such, the Company will

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receive 5% of the net cash flows from the monetization of FAR's assets, net of expenses. FAR finances its activities through revenues from principal and interest payments received on, and the monetization of, its assets.

The Company's maximum loss exposure in FAR if all of FAR's assets were deemed worthless would have been $116 million as of March 31, 2013, consisting of $81 million of net assets plus the $35 million incremental guarantee.

4. Liquidity Considerations

BBX Capital's cash at banks was $64.4 million at March 31, 2013, which does not include $5.6 million of cash held in FAR. BBX Capital had $8.7 million of current liabilities as of March 31, 2013. BBX Capital's principal source of liquidity is its cash holdings, funds obtained from payments on and sales of its loans, loan payoffs, sales of real estate owned, income from income producing real estate, and distributions received from FAR. While FAR is consolidated in the Company's financial statements, the cash held in FAR and generated from its assets will be used primarily to pay FAR's operating expenses and to pay BB&T's 95% preferred membership interest and the related priority return and will generally not be available for distribution to BBX Capital. The balance of BB&T's preferred membership interest in FAR was approximately $164 million at March 31, 2013. Based on current and expected liquidity needs and sources, the Company expects to be able to meet its liquidity needs over the next twelve months. As discussed above in Note 1, on April 2, 2013 BBX Capital completed an investment in Woodbridge, which included an investment of $60 million in cash.

5. Fair Value Measurement

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

The following table presents major categories of assets measured at fair value on a non-recurring basis as of March 31, 2013 (in thousands):

	Fair Value Measurements Using			
	Quoted prices in Active Markets	Significant	Significant	Total

Description	March 31, 2013	for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Impairments (1) For the Three Months Ended
Loans measured for impairment using the fair value of the underlying collateral	$ 9,298	-	-	9,298	935
Impaired real estate owned	19,198	-	-	19,198	1,528
Impaired loans held for sale	17,078	-	-	17,078	536
Total	$ 45,574	-	-	45,574	2,999

(1) Total impairments represent the amount of losses recognized during the three months ended March 31, 2013 on assets that were held and measured at fair value on a non-recurring basis as of March 31, 2013.

BBX Capital Corporation and Subsidiaries

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

As of March 31, 2013 Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)
Loans measured for impairment using the fair value of the underlying collateral	$ 9,298	Fair Value of Collateral	Appraisal	$0.1 - 3.5 million (0.2 million)
Impaired real estate owned	19,198	Fair Value of Property	Appraisal	$0.2 - 11.2 million (1.9 million)
Impaired loans held for sale	17,078	Fair Value of Collateral	Appraisal	$0.1 - 0.6 million (0.2 million)
Total	$ 45,574			

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

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

The following table presents major categories of assets measured at fair value on a non-recurring basis as of March 31, 2012 (in thousands):

		Fair Value Measurements Using			
Description	March 31, 2012	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairments (1) For the Three Months Ended
Impaired loans held for sale	$ 7,914	-	-	7,914	263
Impaired real estate owned	15,223	-	-	15,223	1,741
Total	$ 23,137	-	-	23,137	2,004

(1) Total impairments represent the amount of losses recognized during the three months ended March 31, 2012 on assets that were held and measured at fair value on a non-recurring basis as of March 31, 2012

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

As of March 31, 2012 Description		Fair Value	Valuation Technique	Unobservable Inputs	Range (Average) (1)(2)
Impaired real estate owned	$	15,223	Fair Value of Property	Appraisal	$0.4 - 3.5 million (2.5 million)
Impaired loans held for sale		7,914	Fair Value of Collateral	Appraisal	$0.9 - 3.6 million (2.6 million)
Total	$	23,137			

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

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

Loans Measured For Impairment

Impaired loans are generally valued based on the fair value of the underlying collateral less cost to sell. The fair value of our loans may significantly increase or decrease based on changes in property values as our loans are primarily secured by real estate. The Company primarily uses third party appraisals to assist in measuring non-homogenous impaired

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

Impaired Real Estate Owned

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

Loans Held for Sale

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

BBX Capital Corporation and Subsidiaries

Financial Disclosures about Fair Value of Financial Instruments

			Fair Value Measurements Using		
	Carrying Amount		Quoted prices in Active Markets	Significant Other	Significant
(in thousands)	As of March 31,	As of March 31,	for Identical Assets	Observable Inputs	Unobservable Inputs
Description	2013	2013	(Level 1)	(Level 2)	(Level 3)
Financial assets:					
Cash and interest bearing deposits in banks	$ 70,080	70,080	70,080	-	-
Tax certificates, net	2,241	2,241	-	-	2,241
Loans receivable including loans held for sale, net	277,136	282,647	-	-	282,647
Financial liabilities:					
Notes payable	10,360	10,425	-	-	10,425
BB&T preferred interest in FAR	164,070	167,700	-	-	167,700

			Fair Value Measurements Using		
	Carrying Amount		Quoted prices in Active Markets	Significant Other	Significant
(in thousands)	As of December 31,	As of December 31,	for Identical Assets	Observable Inputs	Unobservable Inputs
Description	2012	2012	(Level 1)	(Level 2)	(Level 3)
Financial assets:					
Cash and interest bearing deposits in other banks	$ 62,873	62,873	62,873	-	-
Tax certificates	3,389	3,318	-	-	3,318
Loans receivable including loans held for sale, net	317,310	316,075	-	-	316,075
Financial liabilities:					

Notes payable	10,301	10,301	-	-	10,301
BB&T preferred interest in FAR	196,877	201,099	-	-	201,099

Management has made estimates of fair value that it believes to be reasonable. However, because there is no active market for many of these financial instruments, management has derived the fair value of the majority of these financial instruments using the income approach technique with Level 3 unobservable inputs. Management estimates used in its net present value financial models rely on assumptions and judgments regarding issues where the outcome is unknown and actual results or values may differ significantly from these estimates. The Company's fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates. As such, the Company may not receive the estimated value upon sale or disposition of the asset or pay the estimated value upon disposition of the liability in advance of its scheduled maturity.

Interest-bearing deposits in other banks include $0.5 million of certificates of deposits guaranteed by the FDIC with maturities of less than one year as of March 31, 2013 and December 31, 2012. Due to the FDIC guarantee and the short-term maturity of these certificates of deposit, the fair value of these deposits approximates the carrying value.

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

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

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

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

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

BBX Capital Corporation and Subsidiaries

6. Loans Receivable

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

		March 31, 2013	December 31, 2012
Commercial non-real estate	$	10,819	12,006
Commercial real estate:			
Residential		47,252	62,523
Other		133,852	151,524
Consumer		16,393	16,907
Residential:			
Residential-interest only		16,826	17,798
Residential-amortizing		34,777	36,999
Total gross loans		259,919	297,757
Adjustments:			
Premiums, discounts and net deferred fees		142	116
Allowance for loan losses		(5,249)	(5,311)
Loans receivable -- net	$	254,812	292,562

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

Loan Class		March 31, 2013	December 31, 2012
Commercial non-real estate	$	3,362	3,362
Commercial real estate:			
Residential		45,953	60,937
Other		77,251	79,014
Consumer		7,624	7,859
Residential:			
Interest only		14,681	16,115
Amortizing		26,393	28,507
Total nonaccrual loans	$	175,264	195,794

BBX Capital Corporation and Subsidiaries

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

March 31, 2013		31-59 Days Past Due	60-89 Days Past Due	90 Days or More (1)	Total Past Due	Current	Total Loans Receivable
Commercial non-real estate	$	-	4,644	2,268	6,912	3,907	10,819
Commercial real estate:							
Residential		4,164	-	37,690	41,854	5,398	47,252
Other		16,430	2,962	52,126	71,518	62,334	133,852
Consumer		864	291	7,166	8,321	8,072	16,393
Residential:							
Residential-interest only		416	438	14,681	15,535	1,291	16,826
Residential-amortizing		1,671	806	25,678	28,155	6,622	34,777
Total	$	23,545	9,141	139,609	172,295	87,624	259,919

(1) The Company had no loans that were past due greater than 90 days and still accruing interest as of March 31, 2013.

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

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

BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2013 was as follows (in thousands):

		Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:							
Beginning balance	$	1,735	1,869	-	1,261	446	5,311
Charge-off :		-	(1,179)	-	(376)	(389)	(1,944)
Recoveries :		171	277	74	458	143	1,123
Provision:		(710)	470	(74)	650	423	759
Ending balance	$	1,196	1,437	-	1,993	623	5,249
Ending balance individually evaluated for impairment	$	634	663	-	-	-	1,297
Ending balance collectively evaluated for impairment		562	774	-	1,993	623	3,952
Total	$	1,196	1,437	-	1,993	623	5,249
Loans receivable:							
Ending balance individually evaluated for impairment	$	3,362	157,144	-	7,501	41,198	209,205
Ending balance collectively evaluated for impairment	$	7,457	23,960	-	8,892	10,405	50,714
Total	$	10,819	181,104	-	16,393	51,603	259,919
Purchases of loans	$	-	-	-	-	-	-
Proceeds from loan sales	$	-	-	-	-	-	-
Transfer to loans held for sale	$	-	-	-	-	-	-
Transfer from loans held for sale	$	-	-	-	-	-	-

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BBX Capital Corporation and Subsidiaries

The activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2012 was as follows (in thousands):

	Commercial Non-Real Estate	Commercial Real Estate	Small Business	Consumer	Residential	Total
Allowance for Loan Losses:						
Beginning balance	$ 16,407	67,054	7,168	22,554	16,704	129,887
Charge-offs:	(14,615)	(51,503)	(1,624)	(6,564)	(10,209)	(84,515)
Recoveries :	54	-	142	795	996	1,987
Provision :	1,410	(2,175)	-	-	-	(765)
Discontinued operations provision:	-	-	(212)	4,220	5,210	9,218
Transfer to loans held for sale	(1,897)	(9,164)	(4,454)	(20,639)	(12,491)	(48,645)
Ending balance	$ 1,359	4,212	1,020	366	210	7,167
Ending balance individually evaluated for impairment	$ 243	222	702	-	-	1,167
Ending balance collectively evaluated for impairment	1,116	3,990	318	366	210	6,000
Total	$ 1,359	4,212	1,020	366	210	7,167
Loans receivable:						
Ending balance individually evaluated for impairment	$ 7,403	197,551	959	9,048	44,617	259,578
Ending balance collectively evaluated for impairment	$ 22,402	55,971	34,192	12,026	8,899	133,490
Total	$ 29,805	253,522	35,151	21,074	53,516	393,068
Purchases of loans	$ -	-	-	-	-	-
Proceeds from loan sales	$ -	1,000	-	-	-	1,000
Transfer to loans held for sale	$ -	16,140	-	-	-	16,140

As part of the transition of the regulation of OTS savings associations like BankAtlantic to the OCC, the OCC provided guidance to thrifts related to their transition to OCC regulatory reporting, which was to be implemented no later than March 31, 2012, including guidance regarding specific valuation allowances on collateral dependent loans. Under OCC guidance, where the appraised value of collateral on a collateral dependent loan was less than the recorded investment of the loan, a charge-off of the amount of the deficiency rather than a specific valuation allowance was generally required. Management considered the appraisals on its impaired collateral dependent loans, including appraised values and appraisal dates, and during the first quarter of 2012 the Company charged down the recorded investment of loans by $66.5 million to the fair value of the collateral less cost to sell. This charge down consisted entirely of the charging off of existing specific valuation allowances. As a specific valuation allowance was previously established for these loans, the charge-offs did not impact the provision for loan losses or the net loss during the three months ended March 31, 2012, but did reduce the Company's allowance for loan losses and recorded investment in the loans.

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

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

	As of March 31, 2013			As of December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With a related allowance recorded:						
Commercial non-real estate	$ 3,032	4,478	634	3,032	3,287	784
Commercial real estate:						
Residential	3,383	10,396	45	637	2,172	1
Other	29,339	29,339	618	27,558	39,194	836
Consumer	123	635	123	-	-	-
Residential:						
Residential-interest only	-	-	-	-	-	-
Residential-amortizing	-	-	-	-	-	-
Total with allowance recorded	$ 35,877	44,848	1,420	31,227	44,653	1,621
With no related allowance recorded:						
Commercial non-real estate	$ 330	635	-	330	634	-
Commercial real estate:						
Residential	42,830	98,492	-	64,684	141,842	-
Other	81,851	124,728	-	84,669	118,665	-
Consumer	15,498	19,572	-	16,050	20,501	-
Residential:						
Residential-interest only	14,985	26,834	-	16,421	28,808	-
Residential-amortizing	29,708	45,867	-	31,896	48,820	-
Total with no allowance recorded	$ 185,202	316,128	-	214,050	359,270	-
Total:						
Commercial non-real estate	$ 3,362	5,113	634	3,362	3,921	784
Commercial real estate	157,403	262,955	663	177,548	301,873	837
Consumer	15,621	20,207	123	16,050	20,501	-
Residential	44,693	72,701	-	48,317	77,628	-
Total	$ 221,079	360,976	1,420	245,277	403,923	1,621

Average recorded investment and interest income recognized on impaired loans as of March 31, 2013 and 2012 were (in thousands):

		For the Three Months Ended March 31, 2013		For the Three Months Ended March 31, 2012	
		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Commercial non-real estate	$	3,032	60	1,174	11
Commercial real estate:					
Residential		3,326	-	-	-
Other		29,376	196	20,000	169
Small business:					
Real estate		-	-	-	-
Non-real estate		-	-	960	-
Consumer		152	-	-	-
Residential:					
Residential-interest only		-	-	-	-
Residential-amortizing		-	-	-	-
Total with allowance recorded	$	35,886	256	22,134	180
With no related allowance recorded:					
Commercial non-real estate	$	330	-	13,218	142
Commercial real estate:					
Residential		42,060	238	80,683	283
Other		81,994	455	174,308	713
Small business:					
Real estate		-	-	14,401	116
Non-real estate		-	-	792	13
Consumer		15,570	76	21,078	86
Residential:					
Residential-interest only		15,019	-	26,932	-
Residential-amortizing		29,903	96	45,192	33
Total with no allowance recorded	$	184,876	865	376,604	1,386
Commercial non-real estate	$	3,362	60	14,392	153
Commercial real estate		156,756	889	274,991	1,165
Small business		-	-	16,153	129
Consumer		15,722	76	21,078	86
Residential		44,922	96	72,124	33
Total	$	220,762	1,121	398,738	1,566

Impaired loans without specific valuation allowances represent loans that were written-down to the fair value of the collateral less cost to sell, loans in which the collateral value less cost to sell was greater than the carrying value of the loan, loans in which the present value of the cash flows discounted at the loans' effective interest rate were equal to or greater than the carrying value of the loans, or large groups of smaller-balance homogeneous loans that were collectively measured for impairment.

The Company monitors impaired collateral dependent loans and performs an impairment analysis on these loans quarterly. Generally, a full appraisal is obtained when a non-homogeneous real estate loan is initially evaluated for impairment and an updated full appraisal is obtained within one year from the prior appraisal date, or earlier if management deems it appropriate based on significant changes in market conditions. In instances where a property is in the process of foreclosure, an updated appraisal may be postponed beyond one year, as an appraisal is required on the date of foreclosure; however, such loans remain subject to quarterly impairment analyses and adjustments. Included in total impaired loans as of March 31, 2013 was $131.9 million of collateral dependent loans, of which $125.4 million were measured for impairment using current appraisals and $6.5 million were measured by adjusting appraisals, as appropriate, to reflect changes in market conditions subsequent to the last appraisal date. The loans that did not have current appraisals were adjusted down by an aggregate amount of $2.6 million based on changes in market conditions.

Credit Quality Information

Management monitors delinquency trends, net charge-off levels, levels of impaired loans, current loan to value ratios, credit scores and general economic conditions in an effort to assess loan credit quality. The Company uses a risk grading matrix to monitor credit quality for commercial loans. Risk grades are assigned to each commercial loan upon origination. The Company assigns risk grades on a scale of 1 to 13. A general description of the risk grades is as follows:

Grades 1 to 7 – The loans in these risk grades are generally well protected by the current net worth and paying capacity of the borrower or guarantors or by the fair value, less cost to sell, of the underlying collateral.

Grades 8 to 9 – Not used.

Grade 10 – These loans are considered to have potential weaknesses that deserve management’s close attention. While these loans do not expose the Company to immediate risk of loss, if left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan.

Grade 11 – These loans are considered to be inadequately protected by the current sound net worth and paying capacity of the borrower or guarantors or by the collateral pledged, if any. Loans in this grade have well-defined weaknesses that jeopardize the liquidation of the loan and there is a distinct possibility that the Company may sustain some credit loss if the weaknesses are not corrected.

Grade 12 – These loans are considered to have all the weaknesses of a Grade 11 with the added characteristic that the weaknesses make collection of the Company’s investment in the loan highly questionable and improbable on the basis of currently known facts, conditions and fair values of the collateral.

Grade 13 – These loans, or portions thereof, are considered uncollectible and of such little value that continuance on the Company’s books as an asset is not warranted. Such loans are generally charged down or completely charged off.

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The following table presents risk grades for commercial loans as of March 31, 2013 (in thousands):

		Commercial Non Real Estate	Commercial Residential	Other Commercial Real Estate
Grade:				
Grades 1 to 7	$	-	-	33,926
Grade 10		4,644	1,299	20,183
Grade 11		6,175	45,953	79,743
Total	$	10,819	47,252	133,852

The following table presents risk grades for commercial loans as of December 31, 2012 (in thousands):

		Commercial Non Real Estate	Commercial Residential	Other Commercial Real Estate
Risk Grade:				
Grades 1 to 7	$	27	-	38,470
Grade 10		5,655	1,587	21,046
Grade 11		6,324	60,936	92,008
Total	$	12,006	62,523	151,524

The Company monitors the credit quality of residential loans based on loan-to-value ratios of the underlying collateral. Elevated loan-to-value ratios indicate the likelihood of increased credit losses upon default which results in higher loan portfolio credit risk.

The loan-to-value ratios of the Company's residential loans were as follows (in thousands):

		As of March 31, 2013 (1)		As of December 31, 2012 (2)	
Loan-to-value ratios		Residential Interest Only	Residential Amortizing	Residential Interest Only	Residential Amortizing
<=60%	$	413	7,384	413	6,762
60.1% - 70%		392	2,620	945	1,922
70.1% - 80%		1,790	3,215	1,082	4,044
80.1% - 90%		2,593	4,684	1,584	5,300
>90.1%		11,638	16,874	13,774	18,971

Total	$ 16,826	34,777	17,798	36,999

(1) Current loan-to-value ratios (“LTV”) for the majority of the portfolio were obtained during the first quarter of 2013 based on broker price opinions.

(2) Current loan-to-value ratios (“LTV”) for the majority of the portfolio were obtained during the fourth quarter of 2012 based on broker price opinions.

The Company monitors the credit quality of its portfolio of consumer loans utilizing FICO scores. The current FICO scores of the Company’s consumer loans were as follows (in thousands):

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		Consumer Loans	
		March 31,	December 31,
FICO Scores		2013 (1)	2012 (2)
Unavailable	$	226	233
<500		698	449
500-619		11,305	10,241
620-679		2,322	3,453
>680		1,842	2,531
	$	16,393	16,907

(1) The FICO scores for the majority of the portfolio were obtained during the first quarter of 2013.

(2) The FICO scores for the majority of the portfolio were obtained during the fourth quarter of 2012.

Troubled Debt Restructured Loans

The restructuring of a loan is considered a “troubled debt restructuring” if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions, principal forgiveness, restructuring amortization schedules, extending loan maturities, deferring loan payments until the loan maturity date and other actions intended to minimize potential losses. The majority of concessions for consumer loans involved changing monthly payments from interest and principal payments to interest only payments or deferring several monthly loan payments until the loan maturity date. Commercial real estate and non-real estate loan concessions were primarily interest rate reductions to below market interest rates based on the risk profile of the loan and extensions of maturity dates. Residential and small business loan concessions primarily involved reductions of monthly payments through extensions of the amortization period and/or deferral of monthly payments.

There was no financial statement effect of consumer and residential troubled debt restructured loans as the affected loans were generally on non-accrual status and measured for impairment before the restructuring. The financial statement effects of commercial and small business troubled debt restructured loans was the establishment of specific valuation allowances, if any, in place of the general allowance for those loans that had not already been placed on nonaccrual status. There was an impact to the allowance for loan losses as a result of the concessions made, as the concessions generally result from the expectation of slower future cash flows.

Troubled debt restructurings during the three months ended March 31, 2013 and 2012 were as follows (dollars in thousands):

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	For the Three Months Ended			
	March 31, 2013		March 31, 2012	
	Number	Recorded Investment	Number	Recorded Investment
Troubled Debt Restructurings				
Commercial non-real estate	-	$ -	-	$ -
Commercial real estate:				
Residential	-	-	-	-
Other	-	-	-	-
Small business:				
Real estate	-	-	2	342
Non-real estate	-	-	-	-
Consumer	-	-	-	-
Residential:				
Residential-interest only	-	-	-	-
Residential-amortizing	-	-	1	62
Total Troubled Debt Restructured	-	$ -	3	$ 404

The following table represents the recorded investment of loans that were modified in troubled debt restructurings beginning January 1, 2012 and 2011 and experienced a payment default during the three months ended March 31, 2013 and 2012, respectively (dollars in thousands):

	For the Three Months Ended			
	March 31, 2013		March 31, 2012	
	Number	Recorded Investment	Number	Recorded Investment
Troubled Debt Restructurings which have subsequently defaulted:				
Commercial non-real estate	-	$ -	-	$ -
Commercial real estate:				
Residential	-	-	1	3,458
Other	-	-	1	860
Small business:				
Real estate	-	-	-	-
Non-real estate	-	-	-	-
Consumer	-	-	1	20

Residential:				
Residential-interest only	-	-	-	-
Residential-amortizing	-	-		