

Edgar Filing: BLUEGREEN CORP - Form 10-Q

BLUEGREEN CORP
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the Quarterly period ended September 30, 2001

or

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

Commission File Number: 0-19292

BLUEGREEN(R) CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

03-0300793
(I.R.S. Employer
Identification No.)

4960 Conference Way North, Suite 100, Boca Raton, Florida
(Address of principal executive offices)

33431
(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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 12, 2001, there were 27,058,950 shares of Common Stock, \$.01 par value per share, issued, 2,755,300 treasury shares and 24,303,650 shares outstanding.

BLUEGREEN(R) CORPORATION
Index to Quarterly Report on Form 10-Q

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Part I - Financial Information (unaudited)

Item 1.	Financial Statements	Page
	Condensed Consolidated Balance Sheets at April 1, 2001 and September 30, 2001	3
	Condensed Consolidated Statements of Income - Three Months Ended October 1, 2000 and September 30, 2001	4
	Condensed Consolidated Statements of Income - Six Months Ended October 1, 2000 and September 30, 2001	5
	Condensed Consolidated Statements of Cash Flows - Six Months Ended October 1, 2000 and September 30, 2001	6
	Notes to Condensed Consolidated Financial Statements	8
Item 2	Management's Discussion and Analysis of Results of Operations and Financial Condition	17
Item 3	Quantitative and Qualitative Disclosures About Market Risk	28
Part II - Other Information		
Item 1	Legal Proceedings	28
Item 2	Changes in Securities	28
Item 3	Defaults Upon Senior Securities	28
Item 4	Submission of Matters to a Vote of Security Holders	29
Item 5	Other Information	29
Item 6	Exhibits and Reports on Form 8-K	29
	Signatures	30

Note: The term "Bluegreen" is registered in the U.S. Patent and Trademark office by Bluegreen Corporation. The term "Big Cedar" is registered in the U.S. Patent and Trademark office by Big Cedar L.L.C.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BLUEGREEN CORPORATION
Condensed Consolidated Balance Sheets
(amounts in thousands, except per share data)

April 1,	September 30,
2001	2001
----	----

Edgar Filing: BLUEGREEN CORP - Form 10-Q

	(Note)	(unaudited)
ASSETS		
Cash and cash equivalents (including restricted cash of approximately \$22.4 million and \$30.0 million at April 1, 2001 and September 30, 2001, respectively)	\$ 40,016	\$ 38,635
Contracts receivable, net	18,507	14,723
Notes receivable, net	74,796	86,262
Prepaid expenses	13,595	11,732
Inventory, net	193,634	192,508
Retained interests in notes receivable sold	19,898	26,098
Property and equipment, net	41,462	46,505
Other assets	17,773	20,920
	-----	-----
Total assets	\$ 419,681	\$ 437,383
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable	\$ 6,245	\$ 3,695
Accrued liabilities and other	31,171	37,243
Deferred income	5,314	6,470
Deferred income taxes	19,329	24,882
Receivable-backed notes payable	8,702	17,850
Lines-of-credit and notes payable	58,918	48,208
10.50% senior secured notes payable	110,000	110,000
8.00% convertible subordinated notes payable to related parties	6,000	6,000
8.25% convertible subordinated debentures	34,371	34,371
	-----	-----
Total liabilities	280,050	288,719
Contingencies		
Minority interest	2,841	3,027
Shareholders' Equity		
Preferred stock, \$.01 par value, 1,000 shares authorized; none issued	--	--
Common stock, \$.01 par value, 90,000 shares authorized; 26,946 and 27,035 shares issued, respectively, at April 1, 2001 and September 30, 2001	269	270
Additional paid-in capital	122,564	122,699
Treasury stock, 2,756 common shares at cost at both April 1, 2001 and September 30, 2001	(12,885)	(12,885)
Other comprehensive income	1,471	1,471
Retained earnings	25,371	34,082
	-----	-----
Total shareholders' equity	136,790	145,637
	-----	-----
Total liabilities and shareholders' equity	\$ 419,681	\$ 437,383
	=====	=====

Note: The condensed consolidated balance sheet at April 1, 2001 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

BLUEGREEN CORPORATION Condensed Consolidated Statements of Income (amounts in thousands, except per share data) (unaudited)

	Three Months Ended	
	October 1, 2000	September 30, 2001
	-----	-----
Revenues:		
Sales	\$ 65,600	\$69,235
Other resort and golf operations revenue	7,070	6,987
Interest income	5,317	4,017
Gain on sale of notes receivable	--	1,051
Other income, net	--	210
	-----	-----
	77,987	81,500
Costs and expenses:		
Cost of sales	20,895	24,078
Cost of other resort and golf operations	6,620	6,202
Selling, general and administrative expenses	42,569	38,496
Interest expense	3,623	3,362
Provision for loan losses	1,456	1,605
Other expense, net	71	--
	-----	-----
	75,234	73,743
	-----	-----
Income before income taxes	2,753	7,757
Provision for income taxes	1,060	2,986
Minority interest in income (loss) of consolidated subsidiaries	(308)	194
	-----	-----
Net income	\$ 2,001	\$ 4,577
	=====	=====
Income per common share:		
Basic	\$ 0.08	\$ 0.19
	=====	=====
Diluted	\$ 0.08	\$ 0.17
	=====	=====
Weighted average number of common and common equivalent shares:		
Basic	24,226	24,235
	=====	=====
Diluted	25,857	29,978
	=====	=====

See accompanying notes to condensed consolidated financial statements.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

BLUEGREEN CORPORATION Condensed Consolidated Statements of Income (amounts in thousands, except per share data) (unaudited)

	Six Months Ended	
	October 1, 2000	September 30, 2001
	-----	-----
Revenues:		
Sales	\$ 128,764	\$129,418
Other resort and golf operations revenue	13,830	13,577
Interest income	9,575	8,079
Gain on sale of notes receivable	--	2,029
Other income, net	122	--
	-----	-----
	152,291	153,103
Costs and expenses:		
Cost of sales	42,779	44,149
Cost of other resort and golf operations	13,214	11,895
Selling, general and administrative expenses	79,328	72,406
Interest expense	7,264	7,097
Provision for loan losses	2,491	2,895
Other expense, net	--	194
	-----	-----
	145,076	138,636
	-----	-----
Income before income taxes	7,215	14,467
Provision for income taxes	2,778	5,570
Minority interest in income (loss) of consolidated subsidiaries	(576)	186
	-----	-----
Net income	\$ 5,013	\$ 8,711
	=====	=====
Income per common share:		
Basic	\$ 0.21	\$ 0.36
	=====	=====
Diluted	\$ 0.20	\$ 0.32
	=====	=====
Weighted average number of common and common equivalent shares:		
Basic	24,293	24,212
	=====	=====
Diluted	25,940	29,947
	=====	=====

See accompanying notes to condensed consolidated financial statements.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

BLUEGREEN CORPORATION Condensed Consolidated Statements of Cash Flows (amounts in thousands) (unaudited)

	Six Months Ended October 1, 2000	September 2001
	-----	-----
Operating activities:		
Net income	\$ 5,013	\$ 8,711
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Minority interest in income (loss) of consolidated subsidiaries	(576)	186
Depreciation and amortization	2,778	4,096
Amortization of discount on note payable	387	229
Gain on sale of notes receivable	--	(2,029)
Loss on sale of property and equipment	9	111
Provision for loan losses	2,491	2,895
Provision for deferred income taxes	2,778	5,570
Interest accretion on retained interests in notes receivable sold	(1,188)	(1,559)
Proceeds from sales of notes receivable	--	30,832
Proceeds from borrowings collateralized by notes receivable	20,681	22,734
Payments on borrowings collateralized by notes receivable	(4,886)	(13,267)
Change in operating assets and liabilities:		
Contracts receivable	(5,467)	3,784
Notes receivable	(53,894)	(57,110)
Inventory	17,308	3,871
Other assets	(996)	(2,279)
Accounts payable, accrued liabilities and other	4,100	4,678
	-----	-----
Net cash provided (used) by operating activities	(11,462)	11,453
	-----	-----
Investing activities:		
Purchases of property and equipment	(4,884)	(7,410)
Sales of property and equipment	34	43
Cash received from retained interest in notes receivable sold	2,162	1,599
Long-term prepayment to Bass Pro, Inc.	(9,000)	--
Acquisition of minority interest	(250)	--
Principal payments received on investment in note receivable	--	4,643
	-----	-----
Net cash used by investing activities	(11,938)	(1,125)
	-----	-----
Financing activities:		
Proceeds from borrowings under line-of-credit facilities and other notes payable	6,500	12,818
Payments under line-of-credit facilities and other notes payable	(12,903)	(24,054)
Payment of debt issuance costs	(129)	(593)
Payments for treasury stock	(527)	--
Proceeds from exercise of employee and director stock options	34	120
	-----	-----
Net cash used by financing activities	(7,025)	(11,709)
	-----	-----
Net decrease in cash and cash equivalents	(30,425)	(1,381)
Cash and cash equivalents at beginning of period	65,526	40,016

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Cash and cash equivalents at end of period	35,101	38,635
Restricted cash and cash equivalents at end of period	(20,095)	(29,756)
Unrestricted cash and cash equivalents at end of period	\$ 15,006	\$ 8,879

See accompanying notes to condensed consolidated financial statements.

6

BLUEGREEN CORPORATION Condensed Consolidated Statements of Cash Flows - - continued (amounts in thousands) (unaudited)

	Six Months Ended	
	October 1, 2000	September 30, 2001
Supplemental schedule of non-cash operating, investing and financing activities		
Retained interests in notes receivable sold	\$ --	\$6,240
Inventory acquired through financing	\$2,112	\$ --
Property and equipment acquired through financing	\$ 891	\$ 297
Inventory acquired through foreclosure or deedback in lieu of foreclosure	\$3,708	\$2,745
Contribution of land inventory by minority interest	\$3,230	\$ --

See accompanying notes to condensed consolidated financial statements.

7

BLUEGREEN CORPORATION Notes to Condensed Consolidated Financial Statements September 30, 2001 (unaudited)

1. Basis of Presentation

Edgar Filing: BLUEGREEN CORP - Form 10-Q

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States for complete financial statements.

The financial information furnished herein reflects all adjustments consisting of normal recurring accruals that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. The results of operations for the three- and six- month periods ended September 30, 2001 are not necessarily indicative of the results to be expected for the fiscal year ending March 31, 2002. For further information, refer to the consolidated financial statements and notes thereto included in Bluegreen Corporation's (the "Company's") Annual Report to Shareholders for the fiscal year ended April 1, 2001.

Organization

The Company is a leading marketer of vacation and residential lifestyle choices through its resort and residential land and golf businesses, which are located predominantly in the southeastern, southwestern and midwestern United States. The Company's resort business (the "Resorts Division") acquires, develops and markets Timeshare Interests in resorts generally located in popular, high-volume, "drive-to" vacation destinations. "Timeshare Interests" are of two types: one which entitles the fixed-week buyer to a fully-furnished vacation residence for an annual one-week period in perpetuity and the second which entitles the buyer of the points-based Bluegreen Vacation Club(TM) product to an annual allotment of "points" in perpetuity (supported by an underlying deeded fixed timeshare week being held in trust for the buyer). "Points" may be exchanged by the buyer in various increments for lodging for varying lengths of time in fully-furnished vacation residences at the Company's participating resorts. The Company currently develops, markets and sells Timeshare Interests in twelve resorts located in the United States and Aruba. The Company also markets and sells Timeshare Interests in its resorts at two off-site sales locations. The Company's residential land and golf business (the "Residential Land and Golf Division") acquires, develops and subdivides property and markets the subdivided residential lots to retail customers seeking to build a home in a high quality residential setting, in some cases on properties featuring a golf course and related amenities. During the six months ended September 30, 2001, sales generated by the Company's Resorts Division and Residential Land and Golf Division comprised approximately 61% and 39%, respectively, of the Company's total sales. The Company's other resort and golf operations revenues are generated from resort property management services, resort title services, resort amenity operations, hotel operations and daily-fee golf course operations. The Company also generates significant interest income by providing financing to individual purchasers of Timeshare Interests and, to a nominal extent, land sold by the Residential Land and Golf Division.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, all of its wholly-owned subsidiaries and entities in which the Company holds a controlling financial interest. All significant intercompany balances and transactions are eliminated.

Use of Estimates

Edgar Filing: BLUEGREEN CORP - Form 10-Q

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Earnings Per Common Share

Basic earnings per common share is computed 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 and includes an adjustment, if dilutive, to both net income and shares outstanding as if the Company's 8.00% convertible subordinated notes payable and 8.25% convertible subordinated debentures were converted into common stock at the beginning of the periods presented.

8

The following table sets forth the computation of basic and diluted earnings per share:

(in thousands, except per share data)	Three Months Ended October 1, 2000	September 30, 2001	Six Months October 1, 2000
	----	----	----
Basic earnings per share - numerator:			
Net income	\$2,001	\$4,577	\$5,013
	=====	=====	=====
Diluted earnings per share - numerator:			
Net income - basic	\$2,001	\$4,577	\$5,013
Effect of dilutive securities (net of tax effects)	74	510	148
	-----	-----	-----
Net income - diluted	\$2,075	\$5,087	\$5,161
	=====	=====	=====
Denominator:			
Denominator for basic earnings per share - weighted-average shares	24,226	24,235	24,293
Effect of dilutive securities:			
Stock options	100	41	116
Convertible securities	1,531	5,702	1,531
	-----	-----	-----
Dilutive potential common shares	1,631	5,743	1,647
	-----	-----	-----
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	25,857	29,978	25,940
	=====	=====	=====
Basic earnings per common share	\$ 0.08	\$ 0.19	\$ 0.21
	=====	=====	=====
Diluted earnings per common share	\$ 0.08	\$ 0.17	\$ 0.20
	=====	=====	=====

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Sales of Notes Receivable and Related Retained Interests

When the Company sells notes receivable on a non-recourse basis through either a timeshare receivables purchase facility or a REMIC transaction (land notes receivable), it retains a residual interest in the future cash flows from the portfolio sold. Gain or loss on sale of the receivables depends in part on the previous carrying amount of the notes receivable sold, allocated between the notes sold and the retained interests based on their relative fair value at the date of transfer.

The Company's retained interests in the portfolios of notes receivable sold are carried at fair market value as available-for-sale investments. Unrealized holding gains or losses on retained interests in notes receivable sold are included in shareholders' equity, net of income taxes. The Company typically will revalue its retained interests in notes receivable sold on a semi-annual basis. Declines in the fair value of the retained interests that are determined to be other than temporary are charged to operations.

To obtain fair values on the retained interests (both at the point of the related receivable sale and periodically thereafter), the Company generally estimates fair value based on the present value of future expected cash flows estimated using management's best estimates of the key assumptions--default rates, rates of prepayment, loss severity and discount rates commensurate with the risks involved.

Recent Accounting Pronouncements

In 1997, the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants ("AICPA") began a project to address the accounting for timeshare transactions. The proposed guidance is currently in the drafting stage of the promulgation process and no formal exposure draft has been issued to date; therefore, the Company is unable to assess the possible impact of this proposed guidance. Currently, it appears that a final pronouncement on timeshare transactions would not be effective until the Company's fiscal year 2005.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 is effective for the Company's fiscal year 2002 (beginning April 2, 2001). The adoption of SFAS No. 133 had no impact on the Company's results of operations and financial position during the three- and six-month periods ended September 30, 2001.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 changes certain provisions of SFAS No. 125. SFAS No. 140 is effective

for transfers of financial assets occurring after March 31, 2001. The adoption of SFAS No. 140 had no impact on the Company's results of operations and financial position during the three- and six- month periods ended September 30, 2001.

In September 2000, the Emerging Issues Task Force ("EITF") of the FASB issued EITF Issue No. 99-20, "Recognition of Interest Income and Impairment

Edgar Filing: BLUEGREEN CORP - Form 10-Q

on Purchased and Retained Beneficial Interests in Securitized Financial Assets." The Issue discusses how a transferor that retains an interest in securitized financial assets should assess impairment and account for interest income. EITF Issue No. 99-20 became effective for the Company on April 2, 2001. The adoption of the Issue had no impact on the Company's results of operations and financial position during the three- and six-month periods ended September 30, 2001.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets", effective for the Company's fiscal year 2003. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with SFAS No. 142. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2003 (beginning April 1, 2002). Application of the nonamortization provisions of the Statement is expected to result in an increase to net income of \$44,000 (less than \$0.01 per share) per year. During fiscal 2003, the Company will perform the first of the required impairment tests of goodwill as of April 1, 2002 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. This statement is effective for the Company's fiscal year 2004. The new statement is not expected to have a material impact on the results of operation or financial position of the Company.

In September 2001, the FASB issued SFAS No. 144 on asset impairment that is applicable to the Company's fiscal 2003 financial statements. The FASB's new rules on asset impairment supersede FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and provide a single accounting model for long-lived assets to be disposed of. The new statement is not expected to have a material impact on the results of operation or financial position of the Company.

Other Comprehensive Income

Other comprehensive income on the condensed consolidated balance sheet is comprised of net unrealized gains on retained interests in notes receivable sold, which are available-for-sale investments. For the three- and six-month periods ended October 1, 2000 and September 30, 2001, total comprehensive income equaled net income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

2. Notes Receivable

In October 2000, the Company entered into a timeshare receivables purchase facility (the "Former Purchase Facility") with two financial institutions. On June 29, 2001, a subsidiary of the Company sold \$17.6 million of timeshare receivables under the Former Purchase Facility. Gross proceeds from the sale of these receivables were approximately \$16.8 million, of which \$10.8 million was used to pay down the Company's timeshare receivables warehouse facility loan (see Note 4). The Company recognized a \$978,000 gain on the sale of the receivables and recorded a \$2.4 million retained interest in notes receivable sold and a \$133,000 servicing asset,

Edgar Filing: BLUEGREEN CORP - Form 10-Q

which is included in Other Assets on the condensed consolidated balance sheet.

In June 2001, the Company executed agreements for a new timeshare receivables purchase facility (the "Purchase Facility") with a financial institution acting as the initial purchaser (the "Initial Purchaser"). At the end of the facility term (August 13, 2002), the Initial Purchaser will attempt to securitize and sell the receivable portfolio that it purchased. The Purchase Facility utilizes an owner's trust structure, pursuant to which the Company sells receivables to a special purpose finance subsidiary of the Company (the "Subsidiary") and the Subsidiary sells the receivables to an owners' trust without recourse to the Company or the Subsidiary except for breaches of customary representations and warranties at the time of sale. Pursuant to the agreements that constitute the Purchase Facility (collectively, the "Purchase Facility Agreements"), the Subsidiary may receive \$75 million of cumulative purchase price (as more fully described below) on sales of timeshare receivables to the owner's trust on a revolving basis, as the principal balance of receivables sold amortizes, in transactions

10

through August 13, 2002 (subject to certain conditions as more fully described in the Purchase Facility Agreements). The Purchase Facility has detailed requirements with respect to the eligibility of receivables for purchase and fundings under the Purchase Facility (including the initial funding) are subject to certain conditions precedent. Under the Purchase Facility, a variable purchase price expected to approximate 85.00% 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 will be deferred until such time as the Initial Purchaser has received a specified return and all servicing, custodial, agent and similar fees and expenses have been paid. The Initial Purchaser shall earn a return equal to the rate equivalent to its borrowing cost (based on then applicable commercial paper rates) plus 1.05%, subject to use of alternate return rates in certain circumstances. In addition, the Initial Purchaser will receive a 0.25% facility fee during the term of the facility. The Purchase Facility also provides for the sale of land notes receivable, under modified terms.

The Purchasers' obligation to purchase under the Purchase Facility will terminate upon the occurrence of specified events. The Company acts as servicer under the Purchase Facility for a fee. The Purchase Facility Agreement includes various conditions to purchase, covenants, trigger events and other provisions customary for a transaction of this type.

On September 6, 2001, a subsidiary of the Company sold \$17.0 million of timeshare receivables under the Purchase Facility. Gross proceeds from the sale of these receivables were approximately \$14.4 million. The Company recognized a \$1.1 million gain on the sale of the receivables and recorded a \$3.8 million retained interest in notes receivable sold and a \$139,000 servicing asset, which is included in Other Assets on the condensed consolidated balance sheet.

The following assumptions were used to measure the initial fair value of the retained interests for the above sales under both the Former Purchase Facility and the Purchase Facility: Prepayment rates ranging from 17% to 14% per annum as the portfolios mature; loss severity rate of 45%; default rates ranging from 6% to 1% per annum as the portfolios mature; and a

Edgar Filing: BLUEGREEN CORP - Form 10-Q

discount rate of 14%.

In May 2001, Napa Partners, LLC, a real estate company in Napa, California, repaid the remaining \$4.6 million balance of its loan from the Company and all accrued interest.

On June 26, 2001, the Company loaned \$1.7 million to the Casa Grande Resort Cooperative Association I (the "Association"), the property owners' association controlled by the timeshare owners at the La Cabana Beach and Racquet Club resort in Aruba. This unsecured loan bears interest at Prime plus 1%, payable in semi-annual installments commencing on December 26, 2001, and matures on June 26, 2003.

3. Inventory

On June 8, 2001, the Company acquired approximately 3,000 Timeshare Interests at an existing timeshare resort in Surfside, Florida. The purchase price for the inventory was \$7.1 million, which was paid in cash. Renovations of the property are estimated at \$4.5 million and the Company expects to complete the initial renovations by March 2002. The Company anticipates that sales of this new inventory will commence in the fiscal quarter ending December 30, 2001. The resort will be known as the Solara Surfside ResortT.

4. Receivable-backed Notes Payable

During the six months ended September 30, 2001, the Company borrowed an aggregate \$22.2 million pursuant to a timeshare receivables financing warehouse facility with a financial institution (the "Loan"). The Loan was collateralized by timeshare receivables and is due, as extended, in February 2002. The Loan bears interest at LIBOR plus 3.5%, which is paid on a weekly basis. The Company has repaid approximately \$11.7 million of the Loan by using cash generated from principal and interest payments on the underlying loans and proceeds from the sale of the underlying receivables (see Note 2).

5. Line of Credit Borrowing

In May 2001, the Company borrowed \$10 million under its \$10 million, unsecured line-of-credit with a bank and repaid said loan in August 2001. The borrowing bore interest at LIBOR plus 2%. The proceeds were used to fund the acquisition of Timeshare Interests in Surfside, Florida (see Note 3) and for operations.

6. Supplemental Guarantor Financial Information

On April 1, 1998, the Company consummated a private placement offering (the "Offering") of \$110 million in aggregate principal amount of 10.5% senior secured notes due April 1, 2008 (the "Notes"). None of the assets of Bluegreen Corporation

secure its obligations under the Notes, and the Notes are effectively subordinated to secured indebtedness of the Company to any third party to the extent of assets serving as security therefore. The Notes are unconditionally guaranteed, jointly and severally, by each of the Company's subsidiaries (the "Subsidiary Guarantors"), with the exception of Bluegreen/Big Cedar Vacations, LLC(TM), Bluegreen Properties N.V. (TM),

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Resort Title Agency, Inc. (TM), 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"). Supplemental financial information for Bluegreen Corporation, its combined Non-Guarantor Subsidiaries and its combined Subsidiary Guarantors is presented below:

CONDENSED CONSOLIDATING BALANCE SHEET AT SEPTEMBER 30, 2001

(UNAUDITED) (IN THOUSANDS)	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATIONS
ASSETS				
Cash and cash equivalents	\$ 8,171	\$ 22,067	\$ 8,397	\$
Contracts receivable, net	--	127	14,596	
Intercompany receivable	123,020	--	--	(123,020)
Notes receivable, net	1,901	6,746	77,615	
Inventory, net	--	17,870	174,638	
Retained interests in notes receivable sold	--	26,098	--	
Investments in subsidiaries	7,730	--	3,230	(10,960)
Property and equipment, net	9,404	1,191	35,910	
Other assets	13,612	1,753	17,287	
	-----	-----	-----	-----
Total assets	\$ 163,838	\$ 75,852	\$ 331,673	\$ (133,443)
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Accounts payable, deferred income, accrued liabilities and other	\$ 13,290	\$ 20,909	\$ 13,209	\$
Intercompany payable	--	4,711	118,309	(123,020)
Deferred income taxes	(18,144)	19,832	23,194	
Lines-of-credit and receivable-backed notes payable	3,506	7,450	55,102	
10.50% senior secured notes payable	110,000	--	--	
8.00% convertible subordinated notes payable to related parties	6,000	--	--	
8.25% convertible subordinated debentures	34,371	--	--	
	-----	-----	-----	-----
Total liabilities	149,023	52,902	209,814	(123,020)
Minority interest	--	--	--	3
Total shareholders' equity	14,815	22,950	121,859	(13,443)
	-----	-----	-----	-----
Total liabilities and shareholders' equity .	\$ 163,838	\$ 75,852	\$ 331,673	\$ (133,443)
	=====	=====	=====	=====

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (IN THOUSANDS) (UNAUDITED)

Edgar Filing: BLUEGREEN CORP - Form 10-Q

	THREE MONTHS ENDED OCTOBER 1,			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATIONS
REVENUES				
Sales	\$ 360	\$ 2,033	\$ 63,207	\$
Management fee revenue	6,990	--	--	(6
Other resort and golf operations revenue	--	1,187	5,883	
Interest income	314	1,120	3,883	
Other (expense) income	(152)	23	58	
	7,512	4,363	73,031	(6
COST AND EXPENSES				
Cost of sales	--	557	20,338	
Cost of other resort and golf operations	--	389	6,231	
Management fees	--	--	6,990	(6
Selling, general and administrative expenses	6,925	1,831	33,813	
Interest expense	1,582	1	2,040	
Provision for loan losses	--	--	1,456	
	8,507	2,778	70,868	(6
Income (loss) before income taxes	(995)	1,585	2,163	
Provision (benefit) for income taxes	(383)	701	742	
Minority interest in loss of consolidated subsidiary	--	--	--	
Net income (loss)	\$ (612)	\$ 884	\$ 1,421	\$

	THREE MONTHS ENDED SEPTEMBER 3			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATIONS
REVENUES				
Sales	\$ --	\$ 4,925	\$ 64,310	\$
Management fees	7,583	--	--	(7
Other resort and golf operations revenue	--	961	6,026	
Interest income	109	1,076	2,832	
Gain on sale of notes receivable	--	1,051	--	
	7,692	8,013	73,168	(7
COST AND EXPENSES				
Cost of sales	--	1,548	22,530	
Cost of other resort and golf operations	--	427	5,775	
Management fees	--	266	7,317	(7
Selling, general and administrative expenses	6,955	2,811	28,730	
Interest expense	1,954	278	1,130	
Provision for loan losses	--	26	1,579	
Other expense	--	(73)	(137)	
	8,909	5,283	66,924	(7

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Income (loss) before income taxes	(1,217)	2,730	6,244	
Provision (benefit) for income taxes	(470)	1,001	2,455	
Minority interest in income of consolidated subsidiary	--	--	--	
	-----	-----	-----	-----
Net income (loss)	\$ (747)	\$ 1,729	\$ 3,789	\$
	=====	=====	=====	=====

13

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED OCTOBER 1, 2014			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATION
REVENUES				
Sales	\$ 360	\$ 3,472	\$ 124,932	\$
Management fee revenue	14,362	--	--	(14,362)
Other resort and golf operations revenue	--	1,908	11,922	
Interest income	778	2,032	6,765	
Other income	2	43	77	
	-----	-----	-----	-----
	15,502	7,455	143,696	(14,362)
COST AND EXPENSES				
Cost of sales	--	988	41,791	
Cost of other resort and golf operations	--	722	12,492	
Management fees	--	--	14,362	(14,362)
Selling, general and administrative expenses	12,679	3,427	63,222	
Interest expense	3,882	465	2,917	
Provision for loan losses	--	122	2,369	
	-----	-----	-----	-----
	16,561	5,724	137,153	(14,362)
	-----	-----	-----	-----
Income (loss) before income taxes	(1,059)	1,731	6,543	
Provision (benefit) for income taxes	(408)	786	2,400	
Minority interest in loss of consolidated subsidiary	--	--	--	
	-----	-----	-----	-----
Net income (loss)	\$ (651)	\$ 945	\$ 4,143	\$
	=====	=====	=====	=====

	SIX MONTHS ENDED SEPTEMBER 30, 2014			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATION
REVENUES				
Sales	\$ --	\$ 10,677	\$ 118,741	\$

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Management fees	14,239	--	--	(14
Other resort and golf operations revenue	--	1,820	11,757	
Interest income	362	2,111	5,606	
Gain on sale of notes receivable	--	2,029	--	
	-----	-----	-----	-----
	14,601	16,637	136,104	(14
COST AND EXPENSES				
Cost of sales	--	3,434	40,715	
Cost of other resort and golf operations	--	792	11,103	
Management fees	--	629	13,610	(14
Selling, general and administrative expenses	13,533	5,856	53,017	
Interest expense	4,173	340	2,584	
Provision for loan losses	--	100	2,795	
Other expense (income)	--	(76)	270	
	-----	-----	-----	-----
	17,706	11,075	124,094	(14
	-----	-----	-----	-----
Income (loss) before income taxes	(3,105)	5,562	12,010	
Provision (benefit) for income taxes	(1,195)	2,100	4,665	
Minority interest in income of consolidated subsidiary	--	--	--	
	-----	-----	-----	-----
Net income (loss)	\$ (1,910)	\$ 3,462	\$ 7,345	\$
	=====	=====	=====	=====

14

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED OCTOBER 1, 2012			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	COMBINED SUBSIDIARY GUARANTORS	ELIMINATIONS
Operating activities:				
Net cash (used) provided by operating activities	\$ (36,215)	\$ 1,633	\$ 23,120	\$
	-----	-----	-----	-----
Investing activities:				
Acquisition of minority interest	--	--	(250)	
Investment in joint venture	--	--	(323)	
Purchases of property and equipment	(448)	(277)	(4,159)	
Sales of property and equipment	--	--	34	
Cash received from investments in securities	--	2,162	--	
Long-term prepayment to Bass Pro, Inc.	--	--	(9,000)	
	-----	-----	-----	-----
Net cash (used) provided by investing activities	(448)	1,885	(13,698)	
	-----	-----	-----	-----
Financing activities:				
Proceeds from borrowings under line-of-credit facilities and other notes payable	6,500	--	--	
Payments under line-of-credit facilities and other notes payable	(130)	(4,662)	(8,111)	

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Payment of debt issuance costs	(3)	(126)	--	
Payments for treasury stock	(527)	--	--	
Proceeds from issuance of membership interest in joint venture	--	323	--	
Proceeds from the exercise of employee and director stock options	34	--	--	
	-----	-----	-----	-----
Net cash (used) provided by financing activities	5,874	(4,465)	(8,111)	
	-----	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(30,789)	(947)	1,311	
Cash and cash equivalents at beginning of period	43,093	12,458	9,975	
	-----	-----	-----	-----
Cash and cash equivalents at end of period	12,304	11,511	11,286	
Restricted cash and cash equivalents at end of period	(62)	(11,511)	(8,522)	
	-----	-----	-----	-----
Unrestricted cash and cash equivalents at end of period	\$ 12,242	\$ --	\$ 2,764	\$ --
	=====	=====	=====	=====

	SIX MONTHS ENDED SEPTEMBER 30, 2014			
	BLUEGREEN CORPORATION	COMBINED NON-GUARANTOR SUBSIDIARIES	CORPORATION	SUBSIDIARIES
Operating activities:				
Net cash provided (used) by operating activities	\$ (8,419)	\$ 6,053	\$ --	\$ --
	-----	-----	-----	-----
Investing activities:				
Purchases of property and equipment	(1,342)	(460)	--	--
Sales of property and equipment	--	--	--	--
Cash received from retained interests in notes receivable sold	--	1,599	--	--
Principal payments received on investment in note receivable	4,643	--	--	--
	-----	-----	-----	-----
Net cash provided (used) by investing activities	3,301	1,139	--	--
	-----	-----	-----	-----
Financing activities:				
Proceeds from borrowings under line-of-credit facilities and other notes payable	10,301	--	--	--
Payments under line-of-credit facilities and other notes payable	(10,363)	(1,948)	--	--
Payment of debt issuance costs	(60)	(302)	--	--
Proceeds from the exercise of employee and director stock options	120	--	--	--
	-----	-----	-----	-----
Net cash used by financing activities	(2)	(2,250)	--	--
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(5,120)	4,942	--	--
Cash and cash equivalents at beginning of period	13,290	17,125	--	--
	-----	-----	-----	-----
Cash and cash equivalents at end of period	8,170	22,067	--	--
Restricted cash and cash equivalents at end of period	(1,685)	(20,599)	--	--
	-----	-----	-----	-----
Unrestricted cash and cash equivalents at end of period	\$ 6,485	\$ 1,468	\$ --	\$ --
	=====	=====	=====	=====

7. Contingencies

In the ordinary course of its business, the Company from time to time becomes subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of real estate. Additionally, from time to time, the Company becomes involved in disputes with existing and former employees. The Company believes that substantially all of the claims and proceedings are incidental to its business.

In addition to its other ordinary course litigation, the Company became a defendant in two proceedings during fiscal 1999. First, an action was filed against the Company on December 15, 1998. The plaintiff has asserted that the Company is in breach of its obligations under, and has made certain misrepresentations in connection with, a contract under which the Company acted as marketing agent for the sale of undeveloped property owned by the plaintiff. The plaintiff also alleges fraud, negligence and violation by the Company of an alleged fiduciary duty owed to plaintiff. Among other things, the plaintiff alleges that the Company failed to meet certain minimum sales requirements under the marketing contract and failed to commit sufficient resources to the sale of the property. The original complaint sought damages in excess of \$18 million and certain other remedies, including punitive damages. Subsequently, based on the testimony of the plaintiff's expert witnesses, the sought damages were reduced to approximately \$15 million. During fiscal 2001, the court dismissed the plaintiff's claims related to promissory estoppel, covenant of good faith and fair dealing, breach of fiduciary duty and negligence. In addition, the court dismissed the claims alleged by a sister company of the plaintiff. The dismissals discussed above further reduced the plaintiff's claims for damages to approximately \$8 million, subject to the plaintiff's right of appeal. The Company is continuing to evaluate this action and its potential impact, if any, on the Company and accordingly cannot predict the outcome with any degree of certainty. However, based upon all of the facts presently under consideration of management, the Company believes that it has substantial defenses to the allegations in this action and intends to defend this matter vigorously. The Company does not believe that any likely outcome of this case will have a material adverse effect on the Company's financial condition or results of operations.

Second, an action was filed on July 10, 1998 against two subsidiaries of the Company and various other defendants. The Company itself is not named as a defendant. The Company's subsidiaries acquired certain real property (the "Property"). The Property was acquired subject to certain alleged oil and gas leasehold interests and rights (the "Interests") held by the plaintiffs in the action (the "Plaintiffs"). The Company's subsidiaries developed the Property and have resold parcels to numerous customers. The Plaintiffs allege, among other things, breach of contract, slander of title and that the Company's subsidiaries and their purchasers have unlawfully trespassed on easements and otherwise violated and prevented the Plaintiffs from exploiting the Interests. The Plaintiffs claim damages in excess of \$40 million, as well as punitive or exemplary damages in an amount of at least \$50 million and certain other remedies. During fiscal 2001, the court advised the parties in open court that the Company's motion for summary judgment was granted, thus dismissing all of the Plaintiff's claims for damages, subject to the Plaintiffs' right of appeal.

On August 21, 2000, the Company received a Notice of Field Audit Action (the "Notice") from the State of Wisconsin Department of Revenue (the "DOR") alleging that two subsidiaries now owned by the Company failed to collect and remit sales and use taxes to the State of Wisconsin during the period from January 1, 1994 through September 30, 1997 totaling \$1.9

Edgar Filing: BLUEGREEN CORP - Form 10-Q

million. The majority of the assessment is based on the subsidiaries not charging sales tax to purchasers of Timeshare Interests at the Company's Christmas Mountain Village(TM) resort. In addition to the assessment, the Notice indicated that interest would be charged, but no penalties would be assessed. As of September 30, 2001, aggregate interest was approximately \$1.3 million. The Company filed a Petition for Redetermination (the "Petition") on October 19, 2000, and, if the Petition is unsuccessful, the Company intends to vigorously appeal the assessment. The Company acquired the subsidiaries that were the subject of the Notice in connection with the acquisition of RDI Group, Inc. ("RDI") on September 30, 1997. Under the RDI purchase agreement, the Company has the right to set off payments owed by the Company to RDI's former stockholders pursuant to a \$1.0 million outstanding note payable balance and to make a claim against such stockholders for \$500,000 previously paid for any breach of representations and warranties. The Company has notified the former stockholders that it intends to exercise these rights to mitigate any settlement with the DOR in this matter. In addition, the Company believes that, if necessary, amounts paid to the State of Wisconsin pursuant to the Notice, if any, may be further funded through collections of sales tax from the consumers who effected the assessed timeshare sales with RDI without paying sales tax on their purchases. Based on management's assessment of the Company's position in the Petition, the Company's right of set off with the former RDI stockholders and other factors discussed above, management does not believe that the possible sales tax pursuant to the Notice will have a material adverse impact on the Company's results of operations or financial position, and therefore no amounts have been accrued related to this matter.

16

8. Business Segments

The Company has two reportable business segments. The Resorts Division acquires, develops and markets Timeshare Interests at the Company's resorts and the Residential Land and Golf Division acquires large tracts of real estate that are subdivided, improved (in some cases to include a golf course and related amenities on the property) and sold, typically on a retail basis.

Required disclosures for the Company's business segments are as follows (in thousands):

	Resorts	Residential Land and Golf	Totals
	-----	-----	-----
As of and for the three months ended October 1, 2000			
Sales	\$ 44,410	\$ 21,190	\$ 65,600
Other resort and golf operations revenue	6,726	344	7,070
Depreciation expense	446	237	683
Field operating profit	4,771	2,678	7,449
Inventory, net	102,515	85,736	188,251
As of and for the three months ended September 30, 2001			
Sales	\$ 41,312	\$ 27,923	\$ 69,235
Other resort and golf operations revenue	6,505	482	6,987
Depreciation expense	615	252	867

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Field operating profit	6,477	5,746	12,223
Inventory, net	92,602	99,906	192,508

As of and for the six months ended October 1, 2000

Sales	\$ 79,718	\$ 49,046	\$128,764
Other resort and golf operations revenue	12,816	1,014	13,830
Depreciation expense	855	448	1,303
Field operating profit	7,600	8,692	16,292

As of and for the six months ended September 30, 2001

Sales	\$ 78,574	\$ 50,844	\$129,418
Other resort and golf operations revenue	12,466	1,111	13,577
Depreciation expense	1,181	516	1,697
Field operating profit	13,353	10,368	23,721

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

	Three Months Ended		Six Months Ended	
	October 1, 2000	September 30, 2001	October 1, 2000	September 30, 2001
Field operating profit for reportable segments	\$ 7,449	\$ 12,223	\$ 16,292	\$ 23,721
Interest income	5,317	4,017	9,575	8,034
Gain on sale of notes receivable	--	1,051	--	2,000
Other income (expense)	(71)	210	122	(1,000)
Corporate general and administrative expenses	(4,863)	(4,777)	(9,019)	(9,000)
Interest expense	(3,623)	(3,362)	(7,264)	(7,000)
Provision for loan losses	(1,456)	(1,605)	(2,491)	(2,000)
Consolidated income before income taxes	\$ 2,753	\$ 7,757	\$ 7,215	\$ 14,721

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

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Reform Act of 1995 (the "Act") and is making the following statements pursuant to the Act in order to do so. Certain statements herein and elsewhere in this report and the Company's other filings with the Securities and Exchange Commission constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Such statements may be identified by forward-looking words such as "may", "intend", "expect", "anticipate", "believe", "will", "should", "project", "estimate", "plan" or other comparable terminology.

All statements, trend analyses and other information relative to the market for the Company's products and trends in the Company's operations or results are forward-looking statements. Such forward-looking statements are subject to known and unknown risks and uncertainties, many of which are

Edgar Filing: BLUEGREEN CORP - Form 10-Q

beyond the Company's control, that could cause the actual results, performance or achievements of the Company, or industry trends, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and no assurance can be given that the plans, estimates and expectations reflected in such statements will be achieved. The Company wishes to caution readers that the following important factors, among others, in some cases have affected, and in the future could affect, the Company's actual results and could cause the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company:

- a) Changes in national, international or regional economic conditions that can affect the real estate market, which is cyclical in nature and highly sensitive to such changes, including, among other factors, levels of employment and discretionary disposable income, consumer confidence, available financing and interest rates.
- b) The imposition of additional compliance costs on the Company as the result of changes in any environmental, zoning or other laws and regulations that govern the acquisition, subdivision and sale of real estate and various aspects of the Company's financing operation or the failure of the Company to comply with any law or regulation.
- c) Risks associated with a large investment in real estate inventory at any given time (including risks that real estate inventories will decline in value due to changing market and economic conditions and that the development and carrying costs of inventories may exceed those anticipated).
- d) Risks associated with an inability to locate suitable inventory for acquisition, or with a shortage of available inventory in the Company's principal markets.
- e) Risks associated with delays in bringing the Company's inventories to market due to, among other things, changes in regulations governing the Company's operations, adverse weather conditions or changes in the availability of development financing on terms acceptable to the Company.
- f) Changes in applicable usury laws or the availability of interest deductions or other provisions of federal or state tax law.
- g) A decreased willingness on the part of banks to extend direct customer lot financing, which could result in the Company receiving less cash in connection with the sales of real estate and/or lower sales.
- h) The inability of the Company to locate external sources of liquidity on favorable terms to support its operations, acquire, carry and develop land and timeshare inventories and satisfy its debt and other obligations.
- i) The inability of the Company to locate sources of capital on favorable terms for the pledge and/or sale of land and timeshare notes receivable, including the inability to consummate or fund securitization transactions.
- j) An increase in prepayment rates, delinquency rates or defaults with respect to Company-originated loans or an increase in the costs related to reacquiring, carrying and disposing of properties reacquired through foreclosure or deeds in lieu of foreclosure.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

- k) Costs to develop inventory for sale and/or selling, general and administrative expenses materially exceed (i) those anticipated or (ii) levels necessary in order for the Company to be profitable.
- l) An increase or decrease in the number of land or resort properties subject to percentage-of-completion accounting, which requires deferral of profit recognition on such projects until development is substantially complete.
- m) The failure of the Company to satisfy the covenants contained in the indentures governing certain of its debt instruments and/or other credit agreements, which, among other things, place certain restrictions on the Company's ability to incur debt, incur liens, make investments and pay dividends.
- n) The risk of the Company incurring an unfavorable judgement in any litigation, and the impact of any related monetary or equity damages.
- o) Risks associated with selling Timeshare Interests in foreign countries including, but not limited to, compliance with legal regulations, labor relations and vendor relationships.

18

- p) The risk that the Company's sales and marketing techniques are not successful, and the risk that the Bluegreen Vacation Club(TM) is not accepted by consumers or imposes limitations on the Company's operations, or is adversely impacted by legal or other requirements.
- q) The risk that any contemplated transactions currently under negotiation will not close or conditions to funding under existing facilities will not be satisfied.
- r) Risks that the Company's joint ventures will not be as successful as anticipated and that the Company will be required to make capital contributions to such ventures in amounts greater than anticipated.
- s) Risks that any currently proposed or future changes in accounting principles will have an adverse impact on the Company.
- t) Risks that a short-term or long-term decrease in the amount of vacation travel, including but not limited to air travel, by American consumers will have an adverse impact on the Company's timeshare sales.

The Company does not undertake and expressly disclaims any duty to update or revise forward-looking statements, even if the Company's situation may change in the future.

General

Real estate markets are cyclical in nature and highly sensitive to changes in national, regional and international economic conditions, including, among other factors, levels of employment and discretionary disposable income, consumer confidence, available financing and interest rates. While a downturn in the economy in general or in the market for real estate could have a material adverse effect on the Company, the Company does not believe that current general economic conditions have materially impacted the

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Company's financial position or results of operations as of and for the three- and six-month periods ended September 30, 2001.

The Company recognizes revenue on residential land and Timeshare Interest 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 the Company has completed substantially all of its obligations with respect to any development relating to the real estate sold. In cases where all development has not been completed, the Company recognizes income in accordance with the percentage-of-completion method of accounting. Under this method of income recognition, income is recognized as work progresses. Measures of progress are based on the relationship of costs incurred to date to expected total costs. The Company has been dedicating greater resources to more capital-intensive residential land and timeshare projects. As development on more of these larger projects is begun, and based on the Company's strategy to pre-sell projects when minimal development has been completed, the amount of income deferred under the percentage-of-completion method of accounting may increase significantly.

Costs associated with the acquisition and development of timeshare resorts and residential land properties, 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.

The Company has historically experienced and expects to continue to experience seasonal fluctuations in its gross revenues and net earnings. This seasonality may cause significant fluctuations in the quarterly operating results of the Company, with the majority of the Company's gross revenues and net earnings historically occurring in the first and second quarters of the fiscal year. As the Company's timeshare revenues grow as a percentage of total revenues, the Company believes that the fluctuations in revenues due to seasonality may be mitigated in part. In addition, other material fluctuations in operating results may occur due to the timing of development and the Company's use of the percentage-of-completion method of accounting. Management expects that the Company will continue to invest in projects that will require substantial development (with significant capital requirements). There can be no assurances that historical seasonal trends in quarterly revenues and earnings will continue or be mitigated by the Company's efforts.

The Company believes that inflation and changing prices have not had a material impact on its revenues and results of operations during the three- or six-month periods ended October 1, 2000 or September 30, 2001. Based on prior history, the Company does not expect that inflation and changing prices will have a material impact on the Company's revenues or results of operations in the foreseeable future. To the extent inflationary trends affect short-term interest rates, a portion of the Company's debt service costs may be affected as well as the interest rate the Company charges on its new receivables from its customers.

The Company believes that the terrorist attacks on September 11, 2001 in the United States and subsequent events that have decreased the amount of vacation air travel by Americans have not, to date, had a material adverse impact on the Company's sales in its domestic sales offices. With the exception of the La Cabana Beach and Racquet Club(TM) in Aruba, guests at the Company's Bluegreen Vacation Club(TM) destination resorts more

Edgar Filing: BLUEGREEN CORP - Form 10-Q

typically drive, rather than fly, to these resorts due to the accessibility of the resorts. While there was an adverse impact on sales at the La Cabana resort in September, based on current conditions the Company does not believe that there will be a long-term adverse impact on its sales in Aruba from decreased air travel, partially due to the fact that a significant portion of Aruba's tourist traffic comes from South America. There can be no assurances, however, that a long-term decrease in air travel or increase in anxiety regarding actual or possible future terrorist attacks would not have a material adverse impact on the Company's results of operations in some future period.

The Company's real estate operations are managed under two divisions. The Resorts Division manages the Company's timeshare operations and the Residential Land and Golf Division acquires large tracts of real estate, which are subdivided, improved (in some cases to include a golf course on the property) and sold, typically on a retail basis.

Inventory is carried at the lower of cost, including costs of improvements and amenities incurred subsequent to acquisition, or fair value, net of costs to dispose.

A portion of the Company's revenues historically has been and, although no assurances can be given, is expected to continue to be comprised of gains on sales of loans. The gains are recorded in the Company's revenues and retained interests in the portfolio are recorded on its balance sheet at the time of sale. The amount of gains recorded is based in part on management's estimates of future prepayment, default and loss severity rates and other considerations in light of then-current conditions. If actual prepayments with respect to loans occur more quickly than was projected at the time such loans were sold, as can occur when interest rates decline, interest would be less than expected and earnings would be charged in the future when the retained interests are realized, except for the effect of reduced interest accretion on the Company's retained interest, which would be recognized each period the retained interests are held. 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 earnings would be charged in the future when the retained interests are realized. There can be no assurances that the carrying value of the Company's retained interests in notes receivable sold will be fully realized or that future loan sales will result in gains. Declines in the fair value of the retained interests that are determined to be other than temporary are charged to operations.

Results of Operations

(Dollars in thousands)	Resorts			Residential Land and Golf	
	-----		-----		
Three Months Ended October 1, 2000					
Sales	\$ 44,410	100%	\$ 21,190	100%	
Cost of sales	(9,380)	(21)	(11,515)	(54)	
	-----		-----		
Gross profit	35,030	79	9,675	46	
Other resort and golf operations revenue	6,726	15	344	2	
Cost of other resort and golf operations	(5,920)	(13)	(700)	(3)	
Selling and marketing expenses	(27,807)	(63)	(4,521)	(21)	
Field general and administrative expenses(1)	(3,258)	(7)	(2,120)	(10)	
	-----		-----		
Field operating profit	\$ 4,771	11%	\$ 2,678	13%	

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Three Months Ended September 30, 2001	=====		=====	
Sales	\$ 41,312	100%	\$ 27,923	100%
Cost of sales	(9,741)	(24)	(14,337)	(51)
	-----		-----	
Gross profit	31,571	76	13,586	49
Other resort and golf operations revenue	6,505	16	482	2
Cost of resort and golf operations	(5,473)	(13)	(729)	(3)
Selling and marketing expenses	(23,226)	(56)	(5,604)	(20)
Field general and administrative expenses(1)	(2,900)	(7)	(1,989)	(7)
	-----		-----	
Field operating profit	\$ 6,477	16%	\$ 5,746	21%
	=====		=====	

20

(Dollars in thousands)

	Resorts		Residential Land and Golf	
	-----		-----	
Six Months Ended October 1, 2000				
Sales	\$ 79,718	100%	\$ 49,046	100%
Cost of sales	(17,288)	(22)	(25,491)	(52)
	-----		-----	
Gross profit	62,430	78	23,555	48
Other resort and golf operations revenue	12,816	16	1,014	2
Cost of other resort and golf operations	(11,718)	(15)	(1,496)	(3)
Selling and marketing expenses	(49,731)	(62)	(9,939)	(20)
Field general and administrative expenses(1)	(6,197)	(8)	(4,442)	(9)
	-----		-----	
Field operating profit	\$ 7,600	10%	\$ 8,692	18%
	=====		=====	
Six Months Ended September 30, 2001				
Sales	\$ 78,574	100%	\$ 50,844	100%
Cost of sales	(18,088)	(23)	(26,061)	(51)
	-----		-----	
Gross profit	60,486	77	24,783	49
Other resort and golf operations revenue	12,466	16	1,111	2
Cost of resort and golf operations	(10,555)	(13)	(1,340)	(3)
Selling and marketing expenses	(43,680)	(56)	(10,222)	(20)
Field general and administrative expenses(1)	(5,364)	(7)	(3,964)	(8)
	-----		-----	
Field operating profit	\$ 13,353	17%	\$ 10,368	20%
	=====		=====	

- (1) General and administrative expenses attributable to corporate overhead have been excluded from the tables. Corporate general and administrative expenses totaled \$4.9 million and \$4.8 million for the three months ended October 1, 2000 and September 30, 2001, respectively, and \$9.0 million and \$9.2 million for the six months ended October 1, 2000 and September 30, 2001, respectively.

Sales

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Consolidated sales increased 6% from \$65.6 million for the three months ended October 1, 2000 (the "2001 Quarter") to \$69.2 million for the three months ended September 30, 2001 (the "2002 Quarter"). Consolidated sales increased 1% from \$128.8 million for the six months ended October 1, 2000 (the "2001 Period") to \$129.4 million for the six months ended September 30, 2001 (the "2002 Period"). Increases in Residential Land and Golf Division sales during the 2002 Quarter and 2002 Period were partially offset by decreased Resorts Division sales.

As of September 30, 2001, approximately \$6.5 million in estimated income on sales of \$14.2 million was deferred under percentage-of-completion accounting. At April 1, 2001, approximately \$5.3 million in estimated income on sales of \$11.5 million was deferred. All such amounts are included on the Condensed Consolidated Balance Sheets under the caption Deferred Income. The Company believes that such deferred income reflects its ability to acquire inventory, provide customers with the assurance that the projects have insurance bonds for the completion of development and pre-sell to customers prior to expending a significant portion of the projects' development costs. Based on current development schedules, the Company expects that a portion of the currently recorded deferred income will be recognized during the year ending March 31, 2002, although no assurances can be given as to the amount that will be recognized.

Resorts Division. During the 2001 Quarter and the 2002 Quarter, the Resorts Division contributed \$44.4 million or 68% and \$41.3 million or 60%, respectively, of the Company's total consolidated sales. During the 2001 Period and the 2002 Period, the Resorts Division contributed \$79.7 million or 62% and \$78.6 million or 61%, respectively, of the Company's total consolidated sales.

The table set forth below outlines the number of timeshare sales transactions and the average sales price per sale for the Resorts Division for the periods indicated, before giving effect to the percentage-of-completion method of accounting.

	Three Months Ended		Six Months Ended	
	October 1, 2000 ----	September 30, 2001 ----	October 1, 2000 ----	September 30, 2001 ----
Number of timeshare sales transactions	4,834	4,011	8,503	7,773
Average sales price per timeshare sale	\$9,140	\$10,639	\$9,195	\$10,414
Gross margin	79%	76%	78%	77%

The decreases in sales during the 2002 Quarter and 2002 Period were primarily due to the Company closing its offsite sales office serving the Cleveland, Ohio market in the first quarter of fiscal 2002. Sales generated by the Cleveland office during the 2001 Quarter and 2001 Period were approximately \$2.5 million and \$4.8 million, respectively, as compared to \$0 and \$1.3 million during the 2002 Quarter and 2002 Period, respectively. In addition, the 2001 Quarter and 2001 Period

included \$2.2 million and \$3.5 million, respectively, of sales from the Company's offsite sales office serving the Louisville, Kentucky market with no corresponding sales during the 2002 Quarter and 2002 Period as the Louisville

Edgar Filing: BLUEGREEN CORP - Form 10-Q

office was closed during fiscal 2001 due to continued operating losses. These decreases were partially offset by the \$2.9 million and \$5.5 million of sales in the 2002 Quarter and 2002 Period, respectively, at the Big Cedar Wilderness Club(TM), which is being developed and sold by a 51%-owned subsidiary of the Company, with no comparable sales in the 2001 Quarter and 2001 Period. The Company's remaining resort sales offices had fewer timeshare sales transactions, but at a higher average sales price per transaction due in part to a price increase in fiscal 2002 as well as the Company's ability to sell higher point-valued inventory through the Bluegreen Vacation Club(TM).

The Resorts Division's gross margin decreased by 3%-points during the 2002 Quarter as compared to the 2001 Quarter and by 1%-point during the 2002 Period as compared to the 2001 Period. These decreases are due to the relative costs of the specific resort inventory mix being sold in the respective periods.

Selling and marketing expenses for the Resorts Division decreased as a percentage of sales for the Resorts Division from 63% and 62% during the 2001 Quarter and 2001 Period, respectively, to 56% during both the 2002 Quarter and 2002 Period. The decrease is due to the Company adopting a plan which is intended to improve the efficiencies of its marketing programs within the Resorts Division, including but not limited to fully implementing its marketing agreement with Bass Pro, Inc., a privately-held retailer of fishing, marine, hunting, camping and sports gear; the centralization of most resort marketing operations at the Company's headquarters; the continued centralization of the Company's telemarketing operations in South Florida; the implementation of a centralized resort marketing customer relationship management system; continuing to monitor and, if necessary, eliminate marginally performing sales operations; and implementing a Company-wide initiative to reduce costs and increase efficiency in all areas. There can be no assurances that the Company's efforts in this regard will be successful or that selling and marketing expenses for the Resorts Division will not increase as a percentage of sales. Another contributing factor for the decrease in these expenses during the 2002 Period was that the selling and marketing expenses for the previously closed Louisville and Cleveland sales offices were 87% and 69%, respectively, of that office's respective sales during the 2001 Period.

Field general and administrative expenses for the Resorts Division decreased 11% and 13% during the 2002 Quarter and 2002 Period, respectively, as compared to the 2001 Quarter and 2001 Period, respectively, primarily due to closing of the Louisville and Cleveland offices and the Company's cost control efforts.

Residential Land and Golf Division. During the 2001 Quarter and the 2002 Quarter, residential land and golf sales contributed \$21.1 million or 32% and \$27.9 million or 40%, respectively, of the Company's total consolidated sales. During the 2001 Period and the 2002 Period, residential land and golf sales contributed \$49.0 million or 38% and \$50.8 million or 39%, respectively, of the Company's total consolidated sales. As noted below, the number of parcels sold decreased during the 2002 Quarter as compared to the 2001 Quarter. However, the increase in the Residential Land and Golf Division's sales was primarily due to the impact of the percentage-of-completion method of accounting and adjustments for sales in the rescission period, which had an aggregate positive \$7.0 million impact on sales in the 2002 Quarter as opposed to a negative \$1.1 million impact on sales in the 2001 Quarter. The timing of the recognition of sales under the percentage-of-completion method of accounting coincides with the periods when development takes place on the Company's projects as opposed to when sales are made or sales proceeds are received.

The table set forth below outlines the number of parcels sold and the average sales price per parcel for the Residential Land and Golf Division for the periods indicated, before giving effect to the percentage-of-completion method of accounting, rescission period adjustments and bulk sales.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

	Three Months Ended		Six Months Ended	
	October 1,	September 30,	October 1,	September 30,
	2000	2001	2000	2001
	----	----	----	----
Number of parcels sold	404	337	828	818
Average sales price per parcel	\$55,087	\$62,065	\$53,883	\$59,161
Gross margin	46%	49%	48%	49%

The aggregate number of parcels sold decreased during the 2002 Quarter as compared to the 2001 Quarter due primarily to certain projects in the Company's Arizona region approaching sell-out and therefore generating fewer sales and due to projects in the Texas Hill Country area which sold out during fiscal 2001 and therefore generated no sales during the 2002 Quarter and 2002 Period. Also, the Company generated decreased sales at two of its larger projects, specifically the Lake Ridge at Joe Pool Lake(TM) project near Dallas, Texas and the Winding River Plantation(TM) project in Bolivia, North Carolina. These decreases were partially offset by sales generated at The Preserve at Jordan Lake(TM) near Chapel Hill, North Carolina,

22

which opened in December 2000. The project will surround an 18-hole, Davis Love III signature championship golf course. The Preserve at Jordan Lake(TM) is the Company's latest addition to its Bluegreen Golf portfolio of properties and it generated sales of \$5.1 million and \$11.9 million during the 2002 Quarter and 2002 Period, respectively.

Average sales price per parcel increased during the 2002 Quarter and 2002 Period as compared to the comparable prior year period, primarily due to sales at The Preserve at Jordan Lake(TM), which averaged approximately \$93,000 per lot during the 2002 Period, and sales at The Waterstone(TM) project in Boerne, Texas, which began sales during the latter part of fiscal 2001 and had an average sales price per parcel sold of approximately \$105,000 during the 2002 Period.

Selling and marketing expenses for the Residential Land & Golf Division remained consistent as a percentage of sales during all periods presented at approximately 20%.

Field general and administrative expenses for the Residential Land & Golf Division decreased 6% and 11% during the 2002 Quarter and 2002 Period, respectively, as compared to the 2001 Quarter and 2001 Period, respectively, primarily due to the Company's cost control efforts.

Interest Income

Interest income was \$5.3 million and \$4.0 million for the 2001 Quarter and 2002 Quarter, respectively and was \$9.6 million and \$8.1 million for the 2001 Period and 2002 Period, respectively. The Company's interest income is earned from its notes receivable, securities retained pursuant to sales of notes receivable (including REMIC transactions) and cash and cash equivalents. The decrease is due to the Company carrying a higher average note receivable balance, which generated higher interest income, during the 2001 Period as the Company did not sell any timeshare notes receivable through its timeshare receivables purchase facility until the third quarter of fiscal 2001.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Gain on Sale of Notes Receivables

The Company recognized a \$1.1 million and \$2.0 million gain on the sale of timeshare notes receivables during the 2002 Quarter and 2002 Period, respectively, with no corresponding gains in the 2001 Quarter or 2001 Period. The Company sold \$17.0 million and \$34.6 million of timeshare notes receivable during the 2002 Quarter and 2002 Period (see Note 2 of Notes to Condensed Consolidated Financial Statements) with no corresponding sales during the 2001 Quarter and 2001 Period.

Corporate General and Administrative Expenses

The Company's corporate general and administrative ("G&A") expenses consist primarily of expenses incurred to administer the various support functions at the Company's corporate headquarters, including accounting, human resources, information technology, mergers and acquisitions, mortgage servicing, treasury, etc.. Corporate G&A totaled \$4.9 million and \$4.8 million during the 2001 Quarter and 2002 Quarter, respectively, and \$9.0 million and \$9.2 million during the 2001 Period and 2002 Period, respectively. The increase during the 2002 Period is primarily due to planned expansion of the Company's information technology support staff and infrastructure.

Interest Expense

Interest expense was \$3.6 million and \$3.4 million for the 2001 Quarter and 2002 Quarter, respectively, and was \$7.3 million and \$7.1 million for the 2001 Period and 2002 Period, respectively.

23

Provision for Loan Losses

The Company recorded a provision for loan losses totaling \$1.5 million and \$1.6 million during the 2001 Quarter and 2002 Quarter, respectively, and totaling \$2.5 million and \$2.9 million during the 2001 Period and 2002 Period, respectively.

The allowance for loan losses by division as of April 1, 2001 and September 30, 2001 was (amounts in thousands):

	Resorts Division	Residential Land and Golf Division	Other	Total
	-----	-----	-----	-----
April 1, 2001				

Notes receivable	\$ 64,245	\$ 9,001	\$ 5,136	\$ 78,382
Less: allowance for loan losses	(3,058)	(416)	(112)	(3,586)
	-----	-----	-----	-----
Notes receivable, net	\$ 61,187	\$ 8,585	\$ 5,024	\$ 74,796
	=====	=====	=====	=====
Allowance as a % of gross notes receivable	4.8%	4.6%	2.2%	4.6%
	=====	=====	=====	=====
September 30, 2001				

Edgar Filing: BLUEGREEN CORP - Form 10-Q

Notes receivable	\$ 80,694	\$ 8,071	\$ 2,059	\$ 90,824
Less: allowance for loan losses	(4,089)	(361)	(112)	(4,562)
	-----	-----	-----	-----
Notes receivable, net	\$ 76,605	\$ 7,710	\$ 1,947	\$ 86,262
	=====	=====	=====	=====
Allowance as a % of gross notes receivable	5.1%	4.5%	5.4%	5.0%
	=====	=====	=====	=====

Other notes receivable primarily consists of the loan to Casa Grande Cooperative Association I (see Note 2 of Notes to Condensed Consolidated Financial Statements).

Minority Interest in Income (Loss) of Consolidated Subsidiaries

Minority interest in income (loss) of consolidated subsidiaries represents the portion of the Company's consolidated income after income taxes that is not included in retained earnings as these earnings belong to a third-party that owns a minority interest in a consolidated subsidiary. During the 2001 Period, the Company consolidated two subsidiaries which were partially owned by minority interests, specifically Bluegreen Properties N.V. ("BPNV"), the subsidiary which owns and sells timeshare interests at the La Cabana Beach and Racquet Club(TM) in Aruba, in which the Company then owned a 50% ownership interest, and Bluegreen/Big Cedar Vacations, LLC (the "Joint Venture"), the developer of the Big Cedar Wilderness Club(TM) in Ridgedale, Missouri, in which the Company holds a 51% ownership interest. By the 2002 Period, the Company had purchased the minority interest in BPNV, and therefore the only subsidiary that was still partially owned by a minority interest during the 2002 Period was the Joint Venture.

Minority interest operations changed from a minority interest loss of \$308,000 to a minority interest income of \$194,000 in the 2001 Quarter and 2002 Quarter, respectively, and from a minority interest loss of \$576,000 to a minority interest income of \$186,000 in the 2001 Period and 2002 Period, respectively. This change is primarily due to the aforementioned purchase of the minority ownership interest in BPNV during fiscal 2001, as BPNV generated losses during the 2001 Period. The minority interest income (which decreases the Company's consolidated net income) in the 2002 Quarter and 2002 Period was due to the profitability of the Joint Venture during the respective periods.

Summary

Based on the factors discussed above, the Company's net income increased 129% from \$2.0 million to \$4.6 million in the 2001 Quarter and 2002 Quarter, respectively, and 74% from \$5.0 million to \$8.7 million in the 2001 Period and 2002 Period, respectively.

Changes in Financial Condition

Consolidated assets of the Company increased \$17.7 million from April 1, 2001 to September 30, 2001. This increase is primarily due to the \$11.5 million increase in notes receivable due to new notes generated from the \$78.6 million in timeshare sales during the 2002 Period (97% of which are financed with the Company) and partially offset by the sale of \$34.6 million of notes receivable sold during the 2002 Period (see Note 2 of Notes to Condensed Consolidated Financial Statements) and payments from customers received on notes receivable. Also, retained interests in notes receivable sold increased by a net \$6.2 million related primarily to the retained interest in the \$34.6 million of timeshare receivables sold during the 2002 Period (see Note 2 of Notes to Condensed Consolidated Financial Statements).

Consolidated liabilities increased \$8.7 million from April 1, 2001 to September 30, 2001. The increase is primarily due to \$22.2 million in borrowings pursuant to a timeshare receivables financing facility with a financial institution, net of \$11.7 million of payments made on this debt (see Note 4 of Notes to Condensed Consolidated Financial Statements).

Total shareholders' equity increased \$8.8 million during the 2002 Period, primarily due to net income. The Company's book value per common share increased from \$5.65 to \$6.00 at April 1, 2001 and September 30, 2001, respectively. The debt-to-equity ratio decreased from 1.60:1 to 1.49:1 at April 1, 2001 and September 30, 2001, respectively.

Liquidity and Capital Resources

The Company's capital resources are provided from both internal and external sources. The Company's primary capital resources from internal operations are: (i) cash sales, (ii) down payments on lot and timeshare sales which are financed, (iii) proceeds from the sale of, or borrowings collateralized by, notes receivable, (iv) principal and interest payments on the purchase money mortgage loans and contracts for deed arising from sales of Timeshare Interests and residential land lots (collectively "Receivables") and (v) net cash generated from other resort services and golf operations. Historically, external sources of liquidity have included non-recourse sales of Receivables, borrowings under secured and unsecured lines-of-credit, seller and bank financing of inventory acquisitions and the issuance of debt securities. The Company's capital resources are used to support the Company's operations, including (i) acquiring and developing inventory, (ii) providing financing for customer purchases, (iii) meeting operating expenses and (iv) satisfying the Company's debt, and other obligations. The Company anticipates that it will continue to require external sources of liquidity to support its operations, satisfy its debt and other obligations and to provide funds for future strategic acquisitions, primarily for the Resorts Division.

Credit Facilities for Timeshare Receivables and Inventories

The Company maintains various credit facilities with financial institutions that provide for receivable financing for its timeshare projects.

In June 2001, the Company executed agreements for a new timeshare receivables purchase facility (the "Purchase Facility") with a financial institution acting as the initial purchaser (the "Initial Purchaser"). At the end of the facility term (August 13, 2002), the Initial Purchaser will attempt to securitize and sell the receivable portfolio that it purchased. The Purchase Facility utilizes an owner's trust structure, pursuant to which the Company sells receivables to a special purpose finance subsidiary of the Company (the "Subsidiary") and the Subsidiary sells the receivables to an owners' trust without recourse to the Company or the Subsidiary except for breaches of customary representations and warranties at the time of sale. Pursuant to the agreements that constitute the Purchase Facility (collectively, the "Purchase Facility Agreements"), the Subsidiary may receive \$75 million of cumulative purchase price (as more fully described below) on sales of timeshare receivables to the owner's trust on a revolving basis, as the principal balance of receivables sold amortizes, in transactions through August 13, 2002 (subject to certain conditions as more fully described in the Purchase Facility Agreements). The Purchase Facility has detailed requirements with respect to the eligibility of receivables for purchase and fundings under the Purchase Facility are subject to certain conditions precedent. Under the Purchase Facility, a variable purchase price expected to approximate 85.00% of the principal balance of the receivables sold,

Edgar Filing: BLUEGREEN CORP - Form 10-Q

subject to certain terms and conditions, is paid at closing in cash. The balance of the purchase price will be deferred until such time as the Initial Purchaser has received a specified return and all servicing, custodial, agent and similar fees and expenses have been paid. The Initial Purchaser shall earn a return equal to the rate equivalent to its borrowing cost (based on then applicable commercial paper rates) plus 1.05%, subject to use of alternate return rates in certain circumstances. In addition, the Initial Purchaser will receive a 0.25% facility fee during the term of the facility. The Purchase Facility also provides for the sale of land notes receivable, under modified terms.

The Purchasers' obligation to purchase under the Purchase Facility may terminate upon the occurrence of specified events. The Company acts as servicer under the Purchase Facility for a fee. The Purchase Facility Agreement includes various conditions to purchase, covenants, trigger events and other provisions customary for a transaction of this type. Through November 12, 2001, the Company sold \$35.3 million of aggregate principal balance of notes receivable under the Purchase Facility for a cumulative purchase price of \$30.0 million.

The Company has a timeshare receivables warehouse loan facility, which, as extended expires on February 16, 2002, with a financial institution (the "Warehouse Facility"). Loans under the Warehouse Facility bear interest at LIBOR plus 3.5%. The Warehouse Facility has detailed requirements with respect to the eligibility of receivables for inclusion and other conditions to funding. The borrowing base under the Warehouse Facility is 90% of the outstanding principal balance of eligible notes arising from the sale of Timeshare Interests except for eligible notes generated by Bluegreen Properties N.V. (TM), for which the borrowing base is 80%. The Warehouse Facility includes affirmative, negative and financial covenants and events of default.

25

During the 2002 Period, the Company borrowed an aggregate \$22.2 million under the Warehouse Facility, of which the Company repaid an aggregate \$11.7 million by using cash generated from principal and interest payments on the underlying loans and proceeds from the sale of the underlying receivables under a previous timeshare receivables purchase facility with the same financial institution. The remaining balance of the Warehouse Facility, as well as any such future borrowings, will be repaid as principal and interest payments are collected on the timeshare notes receivable, but in no event later than February 16, 2002. The maximum principal amount that may be outstanding prospectively under the Warehouse Facility is \$15.0 million. As of September 30, 2001, there was \$11.9 million outstanding under the Warehouse Facility. The Company is currently negotiating an extension and increase of the Warehouse Facility. There can be no assurances that the Company's negotiations will be successful.

In addition, the lender under the Warehouse Facility has provided the Company with a \$28.0 million acquisition and development facility for its timeshare inventories (the "A&D Facility"). The draw down period on the A&D Facility has expired and outstanding borrowings under the A&D Facility mature no later than July 2006. Principal will be repaid through agreed-upon release prices as Timeshare Interests are sold at the financed resort, subject to minimum required amortization. The indebtedness under the facility bears interest at LIBOR plus 3%. On September 14, 1999, the Company borrowed approximately \$14.0 million under the A&D facility. The outstanding principal of this loan must be repaid by November 1, 2005, through agreed-upon release prices as Timeshare Interests in the Company's Lodge Alley Inn(TM) resort in Charleston, South Carolina are sold, subject to minimum required amortization. On December 20, 1999, the Company borrowed approximately \$13.9 million under the acquisition and development facility. The principal of this loan must be repaid by January 1, 2006, through

Edgar Filing: BLUEGREEN CORP - Form 10-Q

agreed-upon release prices as Timeshare Interests in the Company's Shore Crest II(TM) resort are sold, subject to minimum required amortization. The outstanding balance under the A&D Facility at September 30, 2001 was \$14.6 million. The Company is currently negotiating an extension and increase of the A&D Facility. There can be no assurances that the Company's negotiations will be successful.

Credit Facilities for Residential Land and Golf Receivables and Inventories

The Company has a \$30.0 million revolving credit facility with a financial institution for the pledge of Residential Land and Golf Division receivables, with up to \$10 million of the total facility available for Land and Golf Division inventory borrowings. The interest rate charged on outstanding borrowings ranges from prime plus 0.5% to 1.0%, with 8.0% being the minimum interest rate. At September 30, 2001, the outstanding principal balance under this facility was approximately \$5.0 million, all of which related to receivables borrowings. All principal and interest payments received on pledged receivables are applied to principal and interest due under the facility. The ability to borrow under the facility expires on July 1, 2003. Any outstanding indebtedness is due on July 1, 2005. The Company is currently negotiating to also be able to pledge Resorts Division receivables under this facility. There can be no assurances that the Company's negotiations will be successful.

The Company has a \$35.0 million revolving credit facility, which expires in March 2002, with a financial institution. The Company uses this facility to finance the acquisition and development of residential land projects and, potentially, to finance land receivables. The facility is secured by the real property (and personal property related thereto) with respect to which borrowings are made, with the lender required to advance up to a specified percentage of the value of the mortgaged property and eligible pledged receivables, provided that the maximum outstanding amount secured by pledged receivables may not exceed \$20.0 million. The interest charged on outstanding borrowings is prime plus 1.25%. On September 14, 1999, in connection with the acquisition of 1,550 acres adjacent to the Company's Lake Ridge at Joe Pool Lake(TM) residential land project in Dallas, Texas ("Lake Ridge II"), the Company borrowed approximately \$12.0 million under the revolving credit facility. Principal payments are effected through agreed-upon release prices as lots in Lake Ridge II and in another recently purchased section of Lake Ridge are sold. The principal of this loan must be repaid by September 14, 2004. On October 6, 1999, in connection with the acquisition of 6,966 acres for the Company's Mystic Shores(TM) residential land project in Canyon Lake, Texas, the Company borrowed \$11.9 million under the revolving credit facility. On May 5, 2000, the Company borrowed an additional \$2.1 million under this facility in order to purchase an additional 435 acres for the Mystic Shores(TM) project. Principal payments on these loans are effected through agreed-upon release prices as lots in Mystic Shores(TM) are sold. The principal under the \$11.9 million and \$2.1 million loans for Mystic Shores(TM) must be repaid by October 6, 2004 and May 5, 2004, respectively. The aggregate outstanding balance on the revolving credit facility was \$18.0 million at September 30, 2001.

On September 24, 1999, the Company obtained two lines-of-credit with a bank for the purpose of acquiring and developing a new residential land and golf course community in New Kent County, Virginia, known as Brickshire(TM). The lines-of-credit have an aggregate borrowing capacity of approximately \$15.8 million. On September 27, 1999, the Company borrowed approximately \$2.0 million under one of the lines-of-credit in connection with the acquisition of the Brickshire(TM) property. During December 2000, the Company borrowed an additional \$2.0 million under the lines-of-credit. The outstanding balances under the lines-of-credit bear interest at prime plus 0.5% and interest is due monthly. Principal payments are effected through agreed-upon release prices as lots in Brickshire(TM) are sold, subject to minimum required quarterly amortization commencing on

April 30, 2002. All borrowings under the lines-of-credit must be repaid by January 31, 2004. The loan is secured by the Company's residential land lot inventory in Brickshire(TM). As of September 30, 2001, there was no balance outstanding on the lines-of-credit.

Concurrent with obtaining the Brickshire(TM) lines-of-credit discussed above, the Company also obtained from the same bank a \$4.2 million line-of-credit for the purpose of developing a golf course on the Brickshire(TM) property (the "Golf Course Loan"). In December 2000, the Company borrowed \$2.6 million under the Golf Course Loan. The outstanding balances under the Golf Course Loan bears interest at prime plus 0.5% and interest is due monthly. Principal payments will be payable in equal monthly installments of \$35,000 commencing September 1, 2001. The principal must be repaid by October 1, 2005. The loan is secured by the Brickshire(TM) golf course property. As of September 30, 2001, \$2.6 million was outstanding under the Golf Course Loan.

On August 2, 2001, the Company obtained a revolving line-of-credit with a bank for the purpose of developing the Company's golf course community in Raleigh, North Carolina known as The Preserve at Jordan Lake(TM). The line-of-credit has an aggregate borrowing capacity of approximately \$6.7 million. On August 16, 2001, the Company borrowed approximately \$2.5 million under the line-of-credit. The outstanding balances under the lines-of-credit bear interest at prime plus 1.0% and interest is due monthly. Principal payments are effected through agreed-upon release prices as lots in The Preserve at Jordan Lake(TM) are sold. All borrowings under the lines-of-credit must be repaid by July 30, 2003, assuming that the Company pays an additional \$75,000 fee by July 30, 2002. The loan is secured by the Company's residential land lot inventory in The Preserve at Jordan Lake (TM). As of September 30, 2001, there was \$849,000 outstanding on the line-of-credit.

Over the past three years, the Company has received approximately 90% to 99% of its land sales proceeds in cash. Accordingly, in recent years the Company has reduced the borrowing capacity under credit agreements secured by land receivables. The Company attributes the significant volume of cash sales to an increased willingness on the part of certain local banks to extend more direct customer lot financing. No assurances can be given that local banks will continue to provide such customer financing.

Historically, the Company has funded development for road and utility construction, amenities, surveys and engineering fees from internal operations and has financed the acquisition of residential land and golf 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 lot releases. The release price is usually defined as a pre-determined percentage of the gross selling price (typically 25% to 50%) of the parcels in the subdivision. In addition, the agreements generally call for minimum cumulative annual amortization. When the Company provides financing for its customers (and therefore the release price is not available in cash at closing to repay the lender), it is required to pay the creditor with cash derived from other operating activities, principally from cash sales or the pledge of receivables originated from earlier property sales.

Other Credit Facility

The Company has a \$10 million unsecured line-of-credit with a bank. Amounts borrowed under the line bear interest at LIBOR plus 2%. Interest is due monthly

Edgar Filing: BLUEGREEN CORP - Form 10-Q

and all principal amounts are due on December 31, 2001. As of September 30, 2001, there was no amount outstanding under the line, however the Company borrowed \$10 million under the line in October 2001. The Company is currently negotiating an extension and increase of the line. There can be no assurances that the Company's negotiations will be successful.

Summary

The Company intends to continue to pursue a growth-oriented strategy, particularly with respect to its Resorts Division. In connection with this strategy, the Company may from time to time acquire, among other things, additional resort properties and completed Timeshare Interests; land upon which additional resorts may be built; management contracts; loan portfolios of Timeshare Interest mortgages; portfolios which include properties or assets which may be integrated into the Company's operations; interests in joint ventures; and operating companies providing or possessing management, sales, marketing, development, administration and/or other expertise with respect to the Company's operations in the timeshare industry. In addition, the Company intends to continue to focus the Residential Land and Golf Division on larger, more capital intensive projects particularly in those regions where the Company believes the market for its products is strongest, such as new golf communities in the Southeast and other areas and continued growth in the Company's successful regions in Texas.

The Company estimates that the total cash required to complete preparation for the sale of its residential land and golf and timeshare property inventory as of September 30, 2001 is approximately \$274.3 million (based on current costs) with such amount expected to be incurred over a five-year period. The Company plans to fund these expenditures primarily with available capacity on existing or proposed credit facilities, receivables purchase facilities and cash generated from operations.

27

There can be no assurances that the Company 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.

The Company believes that its existing cash, anticipated cash generated from operations, anticipated future permitted borrowings under existing or proposed credit facilities and anticipated future sales of notes receivable under the timeshare receivables purchase facility (or any replacement facility) will be sufficient to meet the Company's anticipated working capital, capital expenditure and debt service requirements for the foreseeable future. The Company will be required to renew or replace credit facilities that will expire in fiscal 2002. The Company will, in the future, also require additional credit facilities or issuances of other corporate debt or equity securities in connection with acquisitions or otherwise. Any debt incurred or issued by the Company 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 assurances 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 the Company's cash needs, including, without limitation, its debt service obligations.

The Company's credit facilities, indentures, receivables purchase facilities and other outstanding debt instruments include customary conditions to funding,

Edgar Filing: BLUEGREEN CORP - Form 10-Q

eligibility requirements for collateral, 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 and events of default or termination. No assurances can be given that such covenants will not limit the Company's ability to raise funds, satisfy or refinance its obligations or otherwise adversely affect the Company's operations. In addition, the Company's future operating performance and ability to meet its financial obligations will be subject to future economic conditions and to financial, business and other factors, many of which will be beyond the Company's control.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a complete description of the Company's foreign currency and interest rate related market risks, see the discussion in the Company's Annual Report on Form 10-K for the year ended April 1, 2001. There has not been a material change in the Company's exposure to foreign currency and interest rate risks since April 1, 2001.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of its business, the Company from time to time becomes subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of real estate. Additionally, from time to time, the Company becomes involved in disputes with existing and former employees. The Company believes that substantially all of the above are incidental to its business.

Certain other litigation involving the Company is described in the Company's Annual Report on Form 10-K for the year ended April 1, 2001. Subsequent to the filing of such Form 10-K, there have been no material developments with respect to such litigation.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

28

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

At the Annual Meeting of Shareholders held on August 2, 2001, the shareholders voted on the matters listed below and in the proxy materials dated July 3, 2001. The results of voting were as follows:

	Shares Voted			
	For	Against	Abstain	Total
Elect each of the following persons as				

Edgar Filing: BLUEGREEN CORP - Form 10-Q

directors of the Company for a
three year term:

George F. Donovan	16,871,329	422,772	-	17,294,101
Michael J. Franco	17,112,536	181,565	-	17,294,101
Bradford T. Whitmore	16,892,191	401,910	-	17,294,101

Ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending March 31, 2002	17,246,665	33,130	14,306	17,294,101
---	------------	--------	--------	------------

The Company has a classified Board of Directors.

Item 5. Other Information

On July 2, 2001, the Company solicited consents from the holders of its 10.5% Senior Secured Notes due April 1, 2008 (the "Notes") regarding certain proposed amendments to the Indenture for the Notes. The consents are being sought to provide the Company with greater flexibility in the financing of its Bluegreen/Big Cedar Vacations LLC(TM) joint venture and with future securitization transactions. If adopted by the note holders, the proposed amendments to the Indenture would:

- o provide that Bluegreen/Big Cedar Vacations, LLCO, the Company's 51%-owned joint venture that sells Timeshare Interests in the Big Cedar Wilderness ClubO resort, may incur indebtedness without being required to guarantee the Notes;
- o provide that any Receivables Subsidiary (as defined in the Indenture) may incur debt arising in connection with any receivables securitization or financing transactions; and
- o permit certain arm's-length transactions between the Company and Bluegreen/Big Cedar Vacations, LLCO to proceed without the potentially expensive and time-consuming requirement that the Company obtain a written fairness opinion from an independent investment banking, accounting or appraisal firm.

The consent solicitation is scheduled to expire at 5:00 p.m., New York City time, on Saturday, November 17, 2001.

Item 6. Exhibits and Reports on Form 8-K

- 10.137 - Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of October 16, 2001, among the Registrant, Bluegreen Vacations Unlimited, Inc.(TM) and Heller Financial, Inc.
- 10.142 - Building Loan Agreement dated July 31, 2001, between Jordan Lake Preserve Corporation and IndyMac Bank F.S.B. d.b.a. Construction Lending Corporation of America.
- 10.143 - Revolving Line of Credit Promissory Note dated July 31, 2001, between Jordan Lake Preserve Corporation and IndyMac Bank F.S.B. d.b.a. Construction Lending Corporation of America.

(b) Reports on Form 8-K

None.

Edgar Filing: BLUEGREEN CORP - Form 10-Q

29

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: November 12, 2001

By: /S/ GEORGE F. DONOVAN

George F. Donovan
President and
Chief Executive Officer

Date: November 12, 2001

By: /S/ JOHN F. CHISTE

John F. Chiste
Senior Vice President,
Treasurer and Chief Financial Officer
(Principal Financial Officer)

Date: November 12, 2001

By: /S/ ANTHONY M. PULEO

Anthony M. Puleo
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

30