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BFC Financial turns profit in Q4, thanks to Bluegreen

South Florida Business Journal - by [Brian Bandell](#)

BFC Financial Corp.'s purchase of a majority stake in **Bluegreen Corp.** in the fourth quarter allowed the holding company to turn a strong profit.

The Fort Lauderdale-based company (Pink Sheets: BFCF) earned \$103 million, or \$1.14 a share, on revenue of \$116.3 million in the fourth quarter. In the same quarter last year, BFC lost \$53.3 million, or \$1.19 a share, on revenue of \$102.4 million.

In November, BFC bought an additional 23 percent interest in the Boca Raton-based timeshare resort developer (NASDAQ: BXG) for \$23 million, increasing its ownership to 52 percent. This caused Bluegreen's financial results to be included on BFC's books in proportion to its ownership interest. Since BFC's accountants determined that the shares of Bluegreen were worth significantly more than the company paid to acquire them, they decided that BFC could record a \$183 million gain on the deal.

BFC Chairman and CEO Alan Levan said the company took large write-downs on the value of Bluegreen's stock when its value suffered over the past few years, and now much of that value has been recovered. While the deal didn't change BFC's cash position, it increased its capital balance and shareholder equity of the company, Levan said. This could allow it to make additional investments.

"This is a jolt of energy for the company," Levan said. "It increases its capital for purposes of doing acquisitions with its stock or doing equity offerings to raise additional capital."

The boost from the Bluegreen deal was partially offset by a \$60.1 million impairment charge on the assets of **Core Communities**, a real estate development subsidiary of BFC.

The developer of Tradition in Port St. Lucie and Tradition Hilton Head in South Carolina, Core Communities is attempting to avoid filing for Chapter 11 bankruptcy protection by negotiating with its lenders, BFC said in its annual report with the **Securities and Exchange Commission**. It has proposed returning some properties in lieu of foreclosure as it attempts to liquidate its assets, the company stated. It is attempting to sell two shopping centers in Port St. Lucie, with all of the proceeds going to repay debt.

Lenders have declared Core Communities in default on \$209.9 million in loans – nearly all of its mortgages on its 6,611 acres, the filing stated. In January, **National Bank of South Carolina** filed a foreclosure lawsuit targeting a large portion of its property at Tradition Hilton Head. The property was placed into receivership.

Another Core Communities subsidiary owes \$250,000 after defaulting on the naming rights to the spring training facility in Port St. Lucie – formerly Tradition Field.

As of Dec. 31, Core Communities' cash and equivalents fell to \$2.9 million and it had no available lines of credit. It cut 41 employees in 2009.

If Core Communities can't come to terms with its lender, it might need to file Chapter 11, BFC stated in its SEC filing.

Levan would not say whether BFC would use its newfound capital to help Core Communities. He said the companies it invests in are evaluated and managed separately.

"Real estate values in St. Lucie County have plummeted to some of the lowest levels in Florida, and it's just a function of dealing with those issues," Levan said.

BFC subsidiary Carolina Oak, a developer within Tradition Hilton Head, also has a problem with its lender. A bank declared Carolina Oak in default on a \$37.2 million loan. Then that bank failed and the **Federal Deposit Insurance Corp.** took the loan. BFC said it does not believe an event of default occurred and it is negotiating with the FDIC.

BFC also owns a 66 percent voting stake in Fort Lauderdale-based **BankAtlantic Bancorp** (NYSE: BBX). It owns a 19 percent voting interest in Miami-based Japanese restaurant operator **Benihana** (NASDAQ: BNHN), which recently received shareholder approval for a public offering to raise capital. That offering has not been initiated.

BFC owns about 45 percent of the Fort Lauderdale-based **Pizza Fusion** restaurant chain and contributed \$400,000 toward that company's \$3 million private placement in January.

After all of its investment activity, BFC Financial finished the year with \$45.1 million in cash and equivalents.

For the full year, BFC earned \$25.7 million on revenue of \$393.8 million. It lost \$58.9 million on revenue of \$466.4 million in 2008. BFC shares closed Tuesday up 8 cents, or nearly 17 percent, to 56 cents in heavy trading. The 52-week high was 74 cents on Oct. 7. The 52-week low was 17 cents on April 13, 2009.

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