

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the Quarter Ended June 30, 2024

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

Commission File Number

000-56177

BBX Capital, Inc.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

82-4669146

(I.R.S Employer Identification No.)

201 East Las Olas Boulevard, Suite 1900
Fort Lauderdale, Florida

(Address of principal executive office)

33301

(Zip Code)

(954) 940-4900

(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act:

None

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

The number of shares outstanding of each of the registrant's classes of common stock as of August 6, 2024 is as follows:

Class A Common Stock of \$.01 par value, 10,486,944 shares outstanding.

Class B Common Stock of \$.01 par value, 3,854,194 shares outstanding.

BBX Capital, Inc.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BBX Capital, Inc.
Condensed Consolidated Statements of Financial Condition - Unaudited
(In thousands, except share data)

	June 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents (\$3,756 in 2024 and \$4,521 in 2023 in variable interest entities (VIEs))	\$ 116,049	90,277
Restricted cash (\$10,186 in 2024 and \$10,089 in 2023 in VIEs)	25,729	21,307
Securities available for sale, at fair value	10,808	44,576
Trade accounts receivable, net (\$377 in 2024 and \$385 in 2023 in VIEs)	16,501	18,341
Construction contracts receivable, net	7,049	13,525
Trade inventory, net	33,850	33,836
Real estate (\$2,477 in 2024 and \$2,688 in 2023 held for sale, and \$88,925 in 2024 and \$64,055 in 2023 rental property under development in VIEs and \$1,690 in predevelopment costs in 2024 in VIEs)	107,530	80,654
Investments in and advances to unconsolidated real estate joint ventures (\$46,168 in 2024 and \$39,821 in 2023 in VIEs)	48,172	44,076
Note receivable from Bluegreen Vacations Holding Corporation	—	35,000
Property and equipment, net	40,264	40,688
Goodwill	49,647	49,647
Intangible assets, net	25,582	26,839
Operating lease assets	118,001	117,894
Deferred tax asset, net	7,151	7,192
Contract assets	16,735	30,799
Other assets (\$1,406 in 2024 and \$990 in 2023 in VIEs)	22,582	19,591
Total assets	\$ 645,650	674,242
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable (\$128 in 2024 and \$16 in 2023 in VIEs)	\$ 24,260	31,012
Accrued expenses (\$539 in 2024 and \$349 in 2023 in VIEs)	32,822	40,700
Contract liabilities	21,844	28,641
Other liabilities (\$55 in 2024 and \$1,833 in 2023 in VIEs)	3,660	4,774
Operating lease liabilities	137,940	136,758
Notes payable and other borrowings (\$48,654 in 2024 and \$27,321 in 2023 in VIEs)	76,313	60,805
Total liabilities	296,839	302,690
Commitments and contingencies (See Note 14)		
Redeemable noncontrolling interest	5,091	5,040
Equity:		
Class A Common Stock of \$0.01 par value; authorized 30,000,000 shares; issued and outstanding 9,610,336 in 2024 and 10,110,336 in 2023	96	101
Class B Common Stock of \$0.01 par value; authorized 4,000,000 shares; issued and outstanding 3,785,851 in 2024 and 3,785,851 in 2023	38	38
Additional paid-in capital	310,228	311,847
Accumulated deficit	(24,770)	(1,755)
Accumulated other comprehensive income	593	1,313
Total shareholders' equity	286,185	311,544
Noncontrolling interests	57,535	54,968
Total equity	343,720	366,512
Total liabilities and equity	\$ 645,650	674,242

(1) BBX Capital's Class B Common Stock is convertible into its Class A Common Stock on a share for share basis at any time at the option of the holder.

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX Capital, Inc.
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income – Unaudited
(In thousands, except per share data)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues:				
Trade sales	\$ 55,967	61,203	114,412	124,917
Sales of real estate inventory	629	4,445	1,953	6,217
Revenue from construction contracts	14,957	36,574	31,404	61,611
Real estate development and property management fees	1,734	2,636	4,000	4,247
Interest income	1,867	1,674	3,963	4,191
Other revenue	68	312	457	659
Total revenues	75,222	106,844	156,189	201,842
Costs and expenses:				
Cost of trade sales	40,441	44,927	81,992	92,334
Cost of real estate inventory sold	—	959	321	1,537
Cost of revenue from construction contracts	15,432	38,129	35,638	62,318
Interest expense	639	700	1,508	1,435
Recoveries from loan losses, net	(247)	(2,507)	(824)	(3,107)
Impairment losses	218	—	218	—
Selling, general and administrative expenses	33,306	34,306	68,719	68,084
Total costs and expenses	89,789	116,514	187,572	222,601
Operating losses	(14,567)	(9,670)	(31,383)	(20,759)
Equity in net earnings of unconsolidated real estate joint ventures	1,676	728	1,717	1,832
Gain on the consolidation of The Altman Companies	—	—	—	6,195
Gain on the consolidation of investment in real estate joint ventures	—	27	—	10,882
Other income	489	716	1,434	2,887
Foreign exchange gain (loss)	235	(488)	706	(534)
(Loss) income before income taxes	(12,167)	(8,687)	(27,526)	503
Benefit (provision) for income taxes	2,358	1,292	5,065	(375)
Net (loss) income	(9,809)	(7,395)	(22,461)	128
Net income attributable to noncontrolling interests	(170)	(606)	(554)	(226)
Net loss attributable to shareholders	\$ (9,979)	(8,001)	(23,015)	(98)
Basic loss per share	\$ (0.74)	(0.56)	(1.68)	(0.01)
Diluted loss per share	\$ (0.74)	(0.56)	(1.68)	(0.01)
Basic weighted average number of common shares outstanding	13,561	14,354	13,729	14,354
Diluted weighted average number of common shares outstanding	13,561	14,354	13,729	14,354
Net (loss) income	\$ (9,809)	(7,395)	(22,461)	128
Other comprehensive (loss) income, net of tax:				
Unrealized (loss) gain on securities available for sale	—	(23)	(7)	4
Foreign currency translation adjustments	(167)	363	(713)	374
Other comprehensive (loss) income, net	(167)	340	(720)	378
Comprehensive (loss) income, net of tax	(9,976)	(7,055)	(23,181)	506
Comprehensive income attributable to noncontrolling interests	(170)	(606)	(554)	(226)
Comprehensive (loss) income attributable to shareholders	\$ (10,146)	(7,661)	(23,735)	280

See Notes to Condensed Consolidated Financial Statements – Unaudited

BBX Capital, Inc.
Condensed Consolidated Statements of Changes in Equity - Unaudited
For the Three Months Ended June 30, 2024 and 2023
(In thousands)

	Shares of Common Stock Outstanding Class		Common Stock Class		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehen- sive Income	Non- controlling Interests	Total Equity
	A	B	A	B					
			\$						
Balance, March 31, 2023	10,629	3,724	\$ 106	37	313,995	27,361	861	56,749	399,109
Net loss excluding \$122 of income attributable to redeemable noncontrolling interest	—	—	—	—	—	(8,001)	—	484	(7,517)
Other comprehensive income	—	—	—	—	—	—	340	—	340
Reversal of accretion of redeemable noncontrolling interest	—	—	—	—	—	504	—	—	504
Contributions from noncontrolling interest	—	—	—	—	—	—	—	1,390	1,390
Share-based compensation	—	—	—	—	1,113	—	—	139	1,252
Balance, June 30, 2023	10,629	3,724	\$ 106	37	315,108	19,864	1,201	58,762	395,078

	Shares of Common Stock Outstanding Class		Common Stock Class		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity
	A	B	A	B					
			\$						
Balance, March 31, 2024	10,110	3,786	\$ 101	38	313,190	(14,791)	760	56,215	355,513
Net loss excluding \$65 of income attributable to redeemable noncontrolling interest	—	—	—	—	—	(9,979)	—	105	(9,874)
Other comprehensive loss	—	—	—	—	—	—	(167)	—	(167)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,207	1,207
Purchase and retirement of common stock	(500)	—	(5)	—	(4,370)	—	—	—	(4,375)
Share-based compensation	—	—	—	—	1,408	—	—	8	1,416
Balance, June 30, 2024	9,610	3,786	\$ 96	38	310,228	(24,770)	593	57,535	343,720

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX Capital, Inc.
Condensed Consolidated Statements of Changes in Equity - Unaudited
For the Six Months Ended June 30, 2024 and 2023
(In thousands)

	Shares of Common Stock Outstanding Class		Common Stock Class		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehen- sive Income	Non- controlling Interests	Total Equity
	A	B	A	B					
Balance, December 31, 2022	10,629	3,724	\$ 106	37	312,978	20,358	823	226	334,528
Net income excluding \$83 of loss attributable to redeemable noncontrolling interest	—	—	—	—	—	(98)	—	309	211
Other comprehensive income	—	—	—	—	—	—	378	—	378
Accretion of noncontrolling interest	—	—	—	—	—	(900)	—	—	(900)
Reversal of accretion of redeemable noncontrolling interest	—	—	—	—	—	504	—	—	504
Consolidation of real estate joint venture managing members	—	—	—	—	—	—	—	55,990	55,990
Contributions from noncontrolling interest	—	—	—	—	—	—	—	2,147	2,147
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(159)	(159)
Share-based compensation	—	—	—	—	2,130	—	—	249	2,379
Balance, June 30, 2023	10,629	3,724	\$ 106	37	315,108	19,864	1,201	58,762	395,078

	Shares of Common Stock Outstanding Class		Common Stock Class		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income	Non- controlling Interests	Total Equity
	A	B	A	B					
Balance, December 31, 2023	10,110	3,786	\$ 101	38	311,847	(1,755)	1,313	54,968	366,512
Net loss excluding \$129 of income attributable to redeemable noncontrolling interest	—	—	—	—	—	(23,015)	—	425	(22,590)
Other comprehensive loss	—	—	—	—	—	—	(720)	—	(720)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,860	1,860
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(69)	(69)
Purchase and retirement of common stock from common stock	(500)	—	(5)	—	(4,370)	—	—	—	(4,375)
Share-based compensation	—	—	—	—	2,751	—	—	351	3,102
Balance, June 30, 2024	9,610	3,786	\$ 96	38	310,228	(24,770)	593	57,535	343,720

BBX Capital, Inc.
Condensed Consolidated Statements of Cash Flows - Unaudited
(In thousands)

	For the Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net (loss) income	\$ (22,461)	128
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Recoveries from loan losses, net	(824)	(3,107)
Depreciation, amortization and accretion	5,450	6,282
Net (gain) loss on sales of real estate and property and equipment	(501)	91
Equity in net earnings of unconsolidated real estate joint ventures	(1,717)	(1,832)
Return on investment in unconsolidated real estate joint ventures	3,432	2,464
Gain on the consolidation of real estate joint ventures	—	(10,882)
Gain on the consolidation of The Altman Companies	—	(6,195)
Impairment losses	218	—
Share-based compensation expense	3,102	2,403
Provision for excess and obsolete inventory	423	271
Change in deferred income tax asset, net	41	1,753
Changes in operating assets and liabilities:		
Trade accounts receivable	1,840	(416)
Construction contracts receivable	6,476	4,024
Trade inventory	(498)	6,111
Real estate	(2,610)	1,230
Operating lease assets	10,869	10,365
Operating lease liabilities	(10,913)	(9,544)
Contract assets	14,319	5,514
Other assets	3,572	9,268
Accounts payable	(11,648)	(13,018)
Accrued expenses	(7,878)	(15,276)
Contract liabilities	(10,633)	2,991
Other liabilities	(1,827)	(569)
Net cash used in operating activities	(21,768)	(7,944)
Investing activities:		
Return of investment in and advances to unconsolidated real estate joint ventures	401	2,353
Investments in unconsolidated real estate joint ventures	(6,212)	(6,766)
Purchases of securities available for sale	(9,831)	(68,862)
Redemptions of securities available for sale	44,251	26,800
Proceeds from repayment of loans receivable	857	3,462
Proceeds from the repayment of Bluegreen Vacations Holding Corporation note	35,000	14,070
Proceeds from sales of assets	306	—
Proceeds from sale of real estate held for sale	260	—
Additions to real estate held-for-sale and held-for-investment	(16,376)	(9,299)
Purchases of property and equipment	(3,955)	(9,060)
Cash acquired in the consolidation of real estate joint ventures	—	29,147
Cash paid for The Altman Companies acquisition, net of cash received	—	(3,945)
Decrease in cash from other investing activities	(5,008)	(9)
Net cash provided by (used in) investing activities	39,693	(22,109)

(Continued)

	For the Six Months Ended June 30,	
	2024	2023
Financing activities:		
Repayments of notes payable and other borrowings	(8,271)	(7,435)
Proceeds from notes payable and other borrowings	23,877	5,501
Payments for debt issuance costs	(675)	(109)
Purchase and retirement of common stock	(4,375)	—
Contributions from noncontrolling interests	1,860	2,147
Distributions to noncontrolling interests	(147)	(159)
Net cash provided by (used in) financing activities	12,269	(55)
Increase (decrease) in cash, cash equivalents and restricted cash	30,194	(30,108)
Cash, cash equivalents and restricted cash at beginning of period	111,584	128,331
Cash, cash equivalents and restricted cash at end of period	\$ 141,778	98,223
Supplemental cash flow information:		
Interest paid on borrowings, net of amounts capitalized	\$ 1,685	1,359
Income taxes paid	485	7,213
Supplementary disclosure of non-cash investing and financing activities:		
Miscellaneous receivable from sale of assets	255	—
Additions to real estate held for investment and property and equipment accrued not paid	8,732	4,403
Inventory transferred in sale of assets	61	—
Assumption of Community Development District Bonds by homebuilders	134	954
Operating lease assets obtained in exchange for new operating lease liabilities	12,457	18,688
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	116,049	81,469
Restricted cash	25,729	16,754
Total cash, cash equivalents and restricted cash	\$ 141,778	98,223

See Notes to Condensed Consolidated Financial Statements - Unaudited

BBX Capital, Inc.
Notes to Condensed Consolidated Financial Statements - Unaudited

1. Organization and Basis of Financial Statement Presentation

Organization

BBX Capital, Inc. (referred to together with its subsidiaries as the “Company,” “we,” “us,” or “our,” and without its subsidiaries as “BBX Capital”) is a Florida-based diversified holding company whose principal holdings are BBX Capital Real Estate LLC (“BBX Capital Real Estate” or “BBXRE”), BBX Sweet Holdings, LLC (“BBX Sweet Holdings” or “BBXSH”), and Renin Holdings, LLC (“Renin”).

Principal Holdings

The Company’s principal holdings are BBX Capital Real Estate, BBX Sweet Holdings, and Renin.

BBX Capital Real Estate

BBX Capital Real Estate is primarily engaged in the acquisition, development, and sale of multifamily rental apartment communities, warehouse and logistics facilities, and single-family master-planned housing communities located primarily in Florida. As part of its real estate development activities, BBX Capital Real Estate invests in developments primarily through joint ventures in which it serves as the managing member, and BBX Capital Real Estate also generates fees from various services related to these developments, including acquisition, development management, general contractor, and property management services. Since November 2018, BBX Capital Real Estate has owned a 50% equity interest in The Altman Companies, LLC (the “Altman Companies”), a development and manager of multifamily apartment communities, and in January 2023, BBX Capital Real Estate acquired the remaining equity interests in the Altman Companies. In 2021, BBX Capital Real Estate also established BBX Logistics Properties, LLC (“BBX Logistics”), a developer of warehouse and logistics facilities. In addition, BBX Capital Real Estate manages the legacy assets acquired in connection with the Company’s sale of BankAtlantic in 2012, including portfolios of loans receivable, real estate properties, and judgments against past borrowers.

BBX Sweet Holdings

BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including (i) IT’SUGAR, a specialty candy retailer in over 100 retail locations in the United States and one location in Canada whose products include bulk candy, candy in giant packaging, and licensed and novelty items, and (ii) Las Olas Confections and Snacks, a manufacturer and wholesaler of chocolate and other confectionery products. Through August 2023, the Company owned over 90% of the equity interests in IT’SUGAR. In August 2023, the Company acquired the remaining equity interest in IT’SUGAR, and IT’SUGAR became a wholly-owned subsidiary of the Company.

Renin

Renin is engaged in the design, manufacture, and distribution of sliding doors, door systems and hardware, and home décor products and operates through its headquarters in Canada and manufacturing and distribution facilities in the United States and Canada. In addition to its own manufacturing activities, Renin also sources certain products and raw materials from China, Brazil, and certain other countries.

Other

In addition to its principal holdings, the Company has investments in other operating businesses, including a restaurant located in South Florida that was acquired in 2018 through a loan foreclosure, and an entity which provides risk management advisory services to the Company and its affiliates and previously acted as an insurance agent. Through January 2024, the Company's affiliates included Bluegreen Vacations Holdings Corporation (“BVH”), and the entity provided risk management advisory services to BVH. However, in January 2024, BVH was acquired by Hilton Grand Vacations Inc. (“HGV”), and although the Company's risk management entity temporarily provided transition services related to risk management to BVH and HGV following the acquisition in January 2024, the Company is no longer providing such risk management advisory services to BVH or HGV. The fees earned by the entity for services provided to the Company are eliminated in consolidation.

Basis of Financial Statement Presentation

The condensed consolidated financial statements of the Company include the consolidated financial statements of BBX Capital and its wholly-owned subsidiaries, other entities in which BBX Capital or its wholly-owned subsidiaries hold controlling financial interests, and any VIEs in which BBX Capital or one of its consolidated subsidiaries is deemed the primary beneficiary of the VIE. Inter-company accounts and transactions have been eliminated in consolidation.

In November 2018, BBX Capital Real Estate acquired a 50% equity interest in the Altman Companies, and Mr. Joel Altman continued to own the remaining 50% equity interest. On January 31, 2023 (the “Acquisition Date”), BBXRE acquired the remaining 50% equity interests in the Altman Companies, and the Altman Companies became a wholly-owned subsidiary of the Company. Prior to the Acquisition Date, the Company accounted for its investment in the Altman Companies under the equity method of accounting. However, as of and subsequent to the Acquisition Date, the Company has consolidated the Altman Companies in its consolidated financial statements. As a result, the Company’s statement of operations and comprehensive (loss) income, statement of changes in equity, and statement of cash flows for the three and six months ended June 30, 2023 reflect the activities of the Altman Companies under the equity method of accounting for the one month ended January 31, 2023 and include the activities of the Altman Companies and its subsidiaries on a consolidated basis from February 1, 2023 to June 30, 2023.

In the Company’s opinion, the financial information furnished herein reflects all adjustments consisting of normal recurring items necessary for a fair presentation of its financial position, results of operations, and cash flows for the interim periods reported in this Quarterly Report on Form 10-Q. The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, these financial statements do not include all of the information and disclosures required by GAAP for complete financial statements. Also, these unaudited condensed consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the Company’s audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Annual Report”) filed with the SEC on March 15, 2024.

Use of Estimates

The preparation of financial statements prepared in conformity with GAAP require the Company to make estimates and assumptions, including assumptions about current and future economic and market conditions which affect reported amounts and related disclosures in the Company’s financial statements, and actual results could differ materially from those estimates.

Due to, among other things, the impact of the inflationary and geopolitical environment, including the impact of interest rates, decreased consumer demand, labor shortages, supply chain issues, and economic uncertainty, actual conditions could materially differ from the Company’s expectations and estimates, which would materially affect the Company’s results of operations and financial condition. The severity, magnitude, and duration, as well as the economic consequences of these conditions are uncertain, rapidly changing, and difficult to predict. As a result, the Company’s accounting estimates and assumptions may change over time in response to changes in, and the impact of, such external factors. Such changes could result in, among other adjustments, future impairments of intangible assets, long-lived assets, and investments in unconsolidated subsidiaries and additional future reserves for inventory and receivables.

Impact of Current Economic Issues

The Company and the industries in which it operates have been impacted by economic trends in the U.S. and global economies, including (i) decreased consumer demand, (ii) disruptions in global supply chains, (iii) a general labor shortage and increases in wages, (iv) increased economic uncertainty, (v) inflationary pressures and higher costs to operate the Company’s businesses, including higher insurance costs, and (vi) higher interest rates. In light of the uncertain duration and impact of current economic trends, the Company has maintained significant liquidity. As of June 30, 2024, the Company’s consolidated cash and cash equivalent balances were \$116.0 million, and its securities available for sale, which are primarily comprised of U.S. Treasury and federal agency securities with maturities of less than one year, were \$10.8 million.

Inflationary and economic trends have and may continue to adversely impact the Company's results of operations. The Federal Reserve has sought to address inflation through monetary policy, including the wind-down of quantitative easing and by increasing the Federal Funds rate. The Russian invasion of Ukraine and the related embargoes against Russia as well as piracy in shipping lanes have resulted in supply chain issues, with the conflict in the Middle East further exacerbating inflationary trends and supply chain disruptions. We believe the 525 basis point increase in the federal funds rate since March 2022 and the wind-down of quantitative easing during 2023 created economic uncertainty which negatively affected our operating results by, among other things: (i) increasing interest expense on variable rate debt and any new debt, (ii) decreasing gross margins due to increased costs of manufactured or purchased inventory and shipping, (iii) reducing the availability of debt and equity capital for new real estate investments and the number of real estate development projects meeting the Company's investment criteria, (iv) increasing overall operating expenses due to increases in labor and service costs, (v) decreasing customer demand for our products, (vi) shifting customer behavior as consumers experience higher borrowing costs, including mortgage borrowings, and (vii) increasing the risk of impairments as a result of declining valuations. Recent anticipated decreases in interest rates have to date not resulted in long term changes and market volatility and the potential impact of the November elections has created uncertainty regarding future consumer sentiment.

While we have taken steps to increase the prices of our products, we do not believe that future increases will be accepted by our consumers, and any such increases could negatively impact customer retention and our gross margin. There is no assurance that the Company's operating subsidiaries will be able to increase prices in response to increasing costs or maintain current price levels which could have a material adverse effect on the Company's results of operations and financial condition.

BBXRE's real estate assets are primarily located in Florida, and economic conditions in the Florida real estate market could adversely affect our earnings and financial condition. In 2023, BBXRE experienced a significant increase in commodity and labor prices, and a shortage of available labor, which resulted in higher development and construction costs, and disruptions in the supply chain for certain commodities and equipment. These factors impacted the timing of certain projects under construction and the commencement of construction of new projects. Furthermore, homebuilders have seen a general softening of demand, and the increase in mortgage rates had an adverse impact on residential home sales. In addition, rising interest rates have increased the cost of the Company's outstanding indebtedness and financing for new development projects. Higher rates have also had an adverse impact on the availability of financing and the anticipated profitability of development projects, as (i) a majority of development costs are financed with third party debt and (ii) capitalization rates related to multifamily apartment communities and warehouse facilities are generally impacted by interest rates. BBXRE has also observed a decline in the number of potential investors interested in providing equity or debt financing for the development of new multifamily apartment developments and the acquisition of stabilized multifamily apartment communities. Such factors are impacting BBXRE's results of operations, and we expect that they may have an adverse impact on its operating results in future periods.

Similarly, IT'SUGAR in 2023 experienced significant increases in the cost of inventory and freight, as well as delays in its supply chain that impacted its ability to maintain historical inventory levels at its retail locations. Additionally, IT'SUGAR has experienced an increase in payroll costs as a result of shortages in available labor at certain of its retail locations. While IT'SUGAR was previously able to partially mitigate the impact of increased costs through increases in the prices of its products, IT'SUGAR has had to slow the pace of price increases due to a recent decline in consumer demand, which has resulted in declines in its selling margins. Further, while IT'SUGAR previously increased inventory levels at its retail locations in an effort to ensure that it could meet consumer demand, in light of the slowdown in store sales and general economic uncertainty, IT'SUGAR has begun to adjust the pace at which it is replenishing inventory in an effort to mitigate the risk of it being unable to sell the products timely and the risk of inventory writedowns due to the slowdown in consumer demand. However, IT'SUGAR must also manage decreases its inventory levels so it does not further negatively impact store sales.

Higher interest rates on borrowings, global supply chain disruptions and increases in commodity prices have also contributed to an increase in Renin's costs, including costs related to shipping and raw materials, as well as delays in its supply chains, all of which have: (i) negatively impacted Renin's product costs and gross margin, (ii) increased the risk that Renin will be unable to fulfill customer orders, and (iii) negatively impacted Renin's working capital and cash flow due to increased inventory in transit, a prolonged period between when it is required to pay its suppliers and when it is paid by its customers, and (iv) an overall decline in its gross margin. While Renin has increased the price of many of its products, Renin's gross margin has nonetheless been negatively impacted by these cost pressures. Additionally, the negotiation of increased prices increases the risk that customers will pursue alternative sources for Renin's products, which may result in Renin losing customers or require it to lower prices in an effort to retain customers. While Renin increased its inventory levels in an effort to ensure that it could meet customer demand, current economic conditions, including a slowdown in consumer demand, have increased the risk that Renin may be unable to timely sell such products and the risk of inventory writedowns.

The impact of these factors contributed to Renin's inability to comply with covenants under its credit facility with TD Bank. On March 13, 2024, Renin's TD Bank Credit Facility was amended and restated in its entirety. See Note 8 of the Company's condensed consolidated financial statements included in Part I of this report for additional information with respect to the amended TD Bank Credit Facility. If Renin is unable to maintain compliance with the covenants under its amended and restated credit facility with TD Bank, Renin may lose availability under its revolving line of credit, may be required to provide additional collateral, or may be required to repay all or a portion of its borrowings under the facility, any of which would have a material adverse effect on the Company's liquidity, financial position, and results of operations.

Recently Adopted and Future Adoption of Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued the following accounting pronouncements and guidance relevant to the Company's operations which had not been adopted as of January 1, 2024:

Accounting Standards Update ("ASU") ASU No. 2024-1, Compensation - Stock Compensations (Topic 718): Scope Application of Profits Interest and Similar Awards. This update addresses how entities determine whether a profits interest or similar award falls within the scope of ASC Topic 718, *Stock Compensation* or other guidance. This update is effective for annual periods beginning after December 15, 2024 and interim periods within those annual periods and should be applied either (i) retrospectively to all prior periods presented in the financial statements or (ii) prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies the standard. BBX Capital has not yet adopted this update and is currently evaluating the potential impact of the update on its consolidated financial statements.

ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosure. This update requires that public business entities on an annual basis (i) disclose specific categories in the income tax rate reconciliation, (ii) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate), (iii) disclose the amount of income taxes paid, net of refunds, disaggregated by federal, individual state jurisdictions, and individual foreign taxes in which the net taxes paid is equal to or greater than five percent of total income taxes paid, and (iv) disclose income or loss from continuing operations before income taxes disaggregated by domestic and foreign and income tax expense or benefit from continuing operations disaggregated by federal, state and foreign components. The update is effective for annual periods beginning after December 31, 2024, and early adoption is permitted for annual financial statements that have not yet been issued. BBX Capital has not yet adopted this update and is currently evaluating the potential impact of the update on its consolidated financial statements.

ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure. This update enhances the disclosures about segment expenses by requiring that public entities on an annual and interim basis (i) disclose significant segment expenses that are regularly provided to the chief operating decision maker (the "CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"), (ii) include all annual disclosures about a reportable segment's profits or loss and assets in interim periods, (iii) disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources, and (iv) disclose the composition of other segment items by reportable segment that are not included in significant expenses. The update is effective for fiscal years beginning after December 31, 2023 and interim periods within years beginning after December 31, 2024. Early adoption is permitted. BBX Capital has not yet adopted this update and is currently evaluating the potential impact of the update on its consolidated financial statements.

ASU No. 2023-05, Business Combinations (Topic 805-60): Account for Joint Venture Formations - Recognition and Measurements. This update addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements, as there has been diversity in practice in how a joint venture accounts for the contributions it receives upon formation. Some joint ventures initially measure their net assets at fair value at the formation date, while other joint ventures initially measure their net assets at the venturers' carrying amounts. To reduce diversity in practice and provide decision-useful information to a joint venture's investors, the FASB decided to require joint ventures to apply a new basis of accounting upon formation based upon the recognition and measurement guidance in ASC Topic 805, *Business Combinations*. This update does not amend the definition of a joint venture (or a corporate joint venture), the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received after its formation. The update is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025, although a joint venture that was formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively. BBX Capital has not yet adopted this update and is currently evaluating the potential impact of the statement on its consolidated financial statements.

2. Securities Available-for-Sale

The following table summarizes the amortized cost and fair value of securities available-for-sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (in thousands):

	As of June 30, 2024			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale				
U.S. Treasury and federal agency	\$ 9,979	—	(1)	9,978
Community Development District bonds	820	10	—	830
Total available-for-sale	\$ 10,799	10	(1)	10,808

	As of December 31, 2023			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale				
U.S. Treasury and federal agency	\$ 43,738	13	—	43,751
Community Development District bonds	820	5	—	825
Total available-for-sale	\$ 44,558	18	—	44,576

Accrued interest receivable as of June 30, 2024 and December 31, 2023 was \$8,000 and \$8,000, respectively. All U.S. Treasury and federal agency securities available-for-sale have maturities of less than one year. The Community Development District bonds mature after ten years.

3. Trade Accounts Receivable and Construction Contracts Receivable

The Company's trade receivables consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Trade accounts receivable	\$ 16,667	18,563
Allowance for expected credit losses	(166)	(222)
Total trade accounts receivables	\$ 16,501	18,341

The Company's construction contract receivables consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Construction contracts receivable	\$ 7,049	13,525
Allowance for expected credit losses	—	—
Total construction contracts receivable	\$ 7,049	13,525

The entire balance of construction contracts receivable is comprised of receivables from affiliated real estate joint ventures in which the Company is the managing member.

4. Trade Inventory

The Company's trade inventory consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Raw materials	\$ 5,400	5,569
Paper goods and packaging materials	1,581	1,571
Work in process	1,364	618
Finished goods	27,206	27,356
Total trade inventory	35,551	35,114
Inventory reserve	(1,701)	(1,278)
Total trade inventory, net	\$ 33,850	33,836

5. Real Estate

The Company's real estate consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Real estate held-for-sale	\$ 2,477	2,688
Real estate held-for-investment	2,766	2,981
Real estate inventory	6,540	6,117
Rental properties under development	88,925	64,055
Predevelopment costs	6,822	4,813
Total real estate	\$ 107,530	80,654

As of June 30, 2024, rental properties under development was comprised of \$17.8 million of land and \$71.1 million of construction in progress associated with the Altis Grand Kendall joint venture (previously referred to as the Altra Kendall joint venture), a consolidated VIE. During the three and six months ended June 30, 2024, the Altis Grand Kendall joint venture capitalized \$0.5 million and \$0.8 million, respectively, of interest expense related to a construction loan with TD Bank. There was no interest expense capitalized during the three and six months ended June 30, 2023.

6. Investments in and Advances to Consolidated and Unconsolidated VIEs

Consolidated VIEs

Real Estate Joint Ventures Related to the Altman Companies and BBX Logistics

BBXRE invests in the managing member of real estate joint ventures sponsored by the Altman Companies and by BBX Logistics. In accordance with the applicable accounting guidance for the consolidation of VIEs, the Company analyzes its investments in the managing member of each real estate joint venture to determine if such managing member entities are VIEs and, to the extent that such entities are VIEs, if the Company is the primary beneficiary. Based on the Company's analysis of the structure of these entities, including the respective operating agreements governing these entities and any relevant financial agreements, the Company has determined that (i) the managing member entities are VIEs due to the entities not having sufficient equity to finance their activities and (ii) the Company has variable interests in these entities as a result of its equity investments in such entities. Further, the Company has determined that it is the primary beneficiary of the managing member entities and, as a result, consolidates the managing member entities. The Company's conclusion that it is the primary beneficiary of these entities is primarily based on the determination that the Company has the power to direct activities of the entities that most significantly affect their economic performance. With respect to joint ventures sponsored by the Altman Companies that were formed prior to the Acquisition Date, prior to the Acquisition Date the Company had determined that it was not the primary beneficiary of certain managing member entities based on the fact that BBXRE and Mr. Altman shared decision-making authority for all significant operating and financing decisions related to such entities. However, as a result of the acquisition of the Altman Companies and Mr. Altman's ongoing employment with the Altman Companies, the Company reevaluated its investments in these entities and determined that, as of and subsequent to the Acquisition Date, BBXRE and Mr. Altman constitute a related party group under the accounting guidance for VIEs that collectively is the primary beneficiary of each of these entities and that BBXRE is the primary beneficiary of the managing member entities as it is the member of the related party group whose activities are most closely associated with the entities.

As a result of the above, the Company consolidates the managing members of the following real estate joint ventures:

- Altis Lake Willis Phase 1
- Altis Lake Willis Phase 2
- Altis Grand at Suncoast
- Altis Blue Lake
- Altis Santa Barbara
- Altis Grand Kendall
- Altis Twin Lakes
- Altis Grand Bay
- The Park at Delray
- The Park at Lakeland
- The Park at Davie

As further described below under Unconsolidated VIEs, although the Company consolidates the managing member of the various real estate joint ventures sponsored by the Altman Companies and by BBX Logistics, the Company has determined that, other than with respect to the Altis Grand Kendall joint venture, the real estate joint ventures in which the managing member entities hold investments are VIEs in which the managing member entities are not the primary beneficiary. However, with respect to the Altis Grand Kendall joint venture, the Company determined that the venture is a VIE in which the managing member is the primary beneficiary, as the managing member of the Altis Grand Kendall joint venture has the power to direct the activities of the joint venture that most significantly affect its economic performance and such power is not constrained by any kick-out or substantive participating rights held by the non-managing members. As a result, the Company consolidates the Altis Grand Kendall joint venture.

ABBX Guaranty, LLC ("ABBX")

In 2018, BBXRE and Mr. Altman formed ABBX Guaranty, LLC ("ABBX"), a joint venture that provides guarantees on the indebtedness and construction cost overruns of development joint ventures sponsored by the Altman Companies. Under the terms of the operating agreement of ABBX, BBXRE and Mr. Altman will retain their respective 50% equity interests in the joint venture until such time that the joint venture is no longer providing guarantees related to development joint ventures originated prior to the Acquisition Date. At such time that ABBX is no longer providing guarantees related to such development joint ventures, it is expected that BBXRE will acquire Mr. Altman's equity interest in ABBX based on his then outstanding capital in ABBX. Prior to the Acquisition Date, the Company previously determined that ABBX was a VIE in which BBXRE was not the primary beneficiary based on the fact that BBXRE and Mr. Altman share decision-making authority for all significant operating and financing decisions related to ABBX. As a result, the Company previously accounted for its investment in ABBX using the equity method of accounting. As a result of the acquisition of the Altman Companies, BBXRE reevaluated its investment in ABBX and determined that, as of and subsequent to the Acquisition Date, (i) ABBX is still a VIE and (ii) BBXRE and Mr. Altman constitute a related party group under the accounting guidance for VIEs that collectively is the primary beneficiary of ABBX. Further, based on the Company's analysis of the facts and circumstances, the Company determined that BBXRE is the primary beneficiary of ABBX as of and subsequent to the Acquisition Date as it is the member of the related party group whose activities are most closely associated with ABBX. Accordingly, as of subsequent to the Acquisition Date, the Company consolidates ABBX in its consolidated financial statements. See Note 14 for additional information regarding ABBX's guarantees.

Altman Management

Altman Management ("AMC"), historically provided property management services pursuant to property management agreements to the owners of multifamily apartment communities, including real estate joint ventures sponsored by the Altman Companies, affiliates of the Altman Companies (including joint ventures in which Mr. Altman is an investor), and unrelated third parties. In March 2023, the Altman Companies amended and restated the operating agreement of AMC to admit RAM Partners, LLC ("RAM") as a joint venture partner. The Altman Companies continues to serve as the managing member of AMC, but any major decisions requiring the approval of both parties. However, once the parties resolve certain ongoing matters related to the formation of the joint venture, RAM will serve as the managing member of AMC, with any major decisions continuing to require the approval of both parties. Under the terms of the operating agreement, the parties will each be entitled to receive distributions of available cash of the joint venture based on a proscribed formula within the operating agreement, with the parties generally each receiving 50% of distributable cash after (i) RAM has received an amount equal to its initial contribution to AMC and (ii) each of the parties have thereafter received a return of any additional capital contributions subsequent to the formation of the joint venture. Further, pursuant to the terms of the agreement, each party has the right to terminate the joint venture arrangement at any time which would result in RAM transferring its ownership interests in AMC back to the Altman Companies and result in the Altman Companies once again being the sole owner of AMC. The Company evaluated the operating agreement of AMC and determined that AMC is a VIE due to its lack of sufficient equity to fund its operations. Further, the Company has also determined that the Altman Companies is the primary beneficiary of AMC, as the Altman Companies is currently the managing member and, once RAM succeeds to the position of managing member of the joint venture, the Altman Companies has substantive kick-out rights related to RAM as the managing member due to its ability to remove RAM as a member from AMC without cause and without any significant barrier to exercising that right. As such, the Company continues to include AMC in its consolidated financial statements as a consolidated VIE and recognizes a noncontrolling interest related to RAM's equity interest in AMC.

Altis Grand Bay

In January 2024, BBXRE, through various consolidated subsidiaries, formed 11240 Biscayne Manager, LLC (the “Altis Grand Bay Manager joint venture”), a joint venture formed with third party investors in which a consolidated subsidiary of BBXRE serves as the managing member. Upon the formation of the Altis Grand Bay Manager joint venture, an affiliate of BBXRE assigned a purchase and sale agreement for the acquisition of land in Miami, Florida to the joint venture. The Altis Grand Bay Manager joint venture will initially be responsible for incurring predevelopment costs related to the potential acquisition and development of a 336 unit multifamily apartment community in Miami, Florida and for obtaining equity and debt financing for the potential development of the community. After obtaining entitlements and sourcing development financing, the joint venture currently expects to form a joint venture with other third party investors to acquire and develop the land in which the Altis Grand Bay Manager joint venture will serve as the managing member. BBXRE owns 50% of the membership interests in the Altis Grand Bay Manager joint venture, and the remaining interests are owned by third party investors. The Company evaluated its investment in the Altis Grand Bay Manager joint venture and determined that the joint venture is a VIE and that BBXRE is the primary beneficiary. The Company’s conclusion that BBXRE is the primary beneficiary of the Altis Grand Bay Manager joint venture is based on its determination that BBXRE has the power to direct the activities of the joint venture that most significantly impact its economic performance. As a result, the Company consolidates the Altis Grand Bay Manager joint venture.

The Park at Lakeland and The Park at Davie

In January 2024, BBX Logistics formed The Park at Lakeland joint venture, a joint venture with affiliates of FRP Holdings, Inc. (“FRP”), and assigned a contract to acquire approximately 22.5 acres of land in Lakeland, Florida to the joint venture for the purpose of developing a logistics facility. In connection with the formation of the joint venture, BBX Logistics initially invested \$0.2 million in the administrative managing member of the joint venture, and the administrative managing member invested those proceeds in the joint venture in exchange for a 50% membership interest in the venture. In March 2024, the joint venture acquired the land expected to be developed into The Park at Lakeland, and BBX Logistics has continued to contribute capital to the administrative managing member for predevelopment expenditures and land acquisition costs based on its current 50% membership interest in The Park at Lakeland joint venture. Pursuant to the terms of the operating agreement for the joint venture, upon the origination of debt financing for the development and the commencement of vertical construction of the logistics facility, BBX Logistics and FRP will recapitalize the joint venture, with BBX Logistics subsequently owning a 10% membership interest in the venture and FRP owning the remaining 90% membership interest in the joint venture. However, pursuant to the terms of the operating agreement for The Park at Lakeland joint venture, BBX Logistics, as the administrative managing member, will then be entitled to receive 10% of the joint venture distributions until the administrative managing member and FRP receives their aggregate capital contributions. Thereafter, the administrative managing member will be entitled to receive an increasing percentage of the joint venture distributions based upon FRP receiving a specified return on its contributed capital.

In March 2024, BBX Logistics formed The Park at Davie joint venture, a joint venture with affiliates of FRP, for the purpose of acquiring approximately 11.3 acres of land in Davie, Florida and developing a logistics facility. In connection with the formation of the joint venture, BBX Logistics initially invested \$0.5 million in the administrative managing member of the joint venture, and the administrative managing member invested those proceeds in the joint venture in exchange for a 50% membership interest in the venture. In July 2024, the joint venture acquired the land expected to be developed into The Park at Davie and, in connection with the acquisition, BBX Logistics contributed \$11.9 million of capital to the administrative managing member for investment in the joint venture for land acquisition costs and predevelopment expenditures based on its 50% membership interest in The Park at Davie joint venture. Pursuant to the terms of the operating agreement for the joint venture, upon the origination of debt financing for the development and the commencement of vertical construction of the logistics facility, BBX Logistics and FRP will recapitalize the joint venture resulting in BBX Logistics subsequently owning a 20% membership interest in the venture and FRP owning the remaining 80% membership interest in the joint venture. Pursuant to the terms of the operating agreement, BBX Logistics, as the administrative managing member, will be entitled to receive 20% of the joint venture distributions until the administrative managing member and FRP receives their aggregate capital contributions. Thereafter, the administrative managing member is entitled to receive an increasing percentage of the joint venture distributions based upon FRP receiving a specified return on its contributed capital.

The Company evaluated its investment in the managing member of The Park at Lakeland and The Park at Davie joint ventures and determined that the managing members are VIEs and that The Logistics Properties is the primary beneficiary. The Company then evaluated the managing member's investment in each of The Park at Lakeland and The Park at Davie joint ventures and determined that the joint ventures are VIEs and that the managing members are not the primary beneficiaries. The Company’s conclusion that the managing members are not the primary beneficiary of The Park at Lakeland and The Park at Davie joint ventures is based on the determination that the managing member of each joint venture does not have the power to direct the activities of the respective joint venture that most significantly affect its economic performance. In particular, while the managing member is the day-to-day operating manager of each joint venture, the other member has substantive participating rights with respect to all activities that most significantly impact the joint venture’s economic performance. As a result, the Company consolidates the managing members, and the managing members account for their investment in the underlying The Park at Lakeland and The Park at Davie joint ventures under the equity method of accounting.

Summary of Financial Information Related to Consolidated VIEs

The assets and liabilities of the Company's consolidated VIEs as of June 30, 2024 that are included in the Company's consolidated statement of financial position are as follows (in thousands):

	Real Estate Joint Ventures (1)	ABBX	AMC	Total
Cash	\$ 3,159	—	597	3,756
Restricted cash	—	10,186	—	10,186
Trade accounts receivable, net	—	—	377	377
Real estate	90,615	—	—	90,615
Investment in and advances to unconsolidated real estate joint ventures	46,168	—	—	46,168
Other assets	1,106	—	300	1,406
Total assets	\$ 141,048	10,186	1,274	152,508
Accounts payable	108	—	20	128
Accrued expenses	329	—	210	539
Other liabilities	—	—	55	55
Notes payable and other borrowings	48,654	—	—	48,654
Total liabilities	\$ 49,091	—	285	49,376
Noncontrolling interest	\$ 57,071	5,091	344	62,506

The assets and liabilities of the Company's consolidated VIEs as of December 31, 2023 that are included in the Company's consolidated statement of financial position are as follows (in thousands):

	Real Estate Joint Ventures (1)	ABBX	AMC	Total
Cash	\$ 4,045	—	476	4,521
Restricted cash	—	10,089	—	10,089
Trade accounts receivable, net	—	—	385	385
Real estate	64,055	—	—	64,055
Investment in and advances to unconsolidated real estate joint ventures	39,821	—	—	39,821
Other assets	698	—	292	990
Total assets	\$ 108,619	10,089	1,153	119,861
Accounts payable	—	—	16	16
Accrued expenses	140	9	200	349
Other liabilities	—	—	1,833	1,833
Notes payable and other borrowings	27,321	—	—	27,321
Total liabilities	\$ 27,461	9	2,049	29,519
Noncontrolling interest	\$ 54,707	5,045	137	59,889

(1) Represents the aggregate assets, liabilities, and noncontrolling interests of the consolidated real estate joint ventures sponsored by the Altman Companies or BBX Logistics, as described above. These real estate joint ventures have similar economic characteristics, financing arrangements, and organizational structures.

The assets held by the consolidated VIEs in the above tables are owned by the respective VIEs and can only be used to settle obligations of such VIEs, and the liabilities in the above table are non recourse to BBX Capital and its other subsidiaries. Further, guarantees issued by ABBX are limited to the assets of ABBX and are non recourse to BBX Capital and its other subsidiaries.

Unconsolidated VIEs

As of June 30, 2024, the Company had equity interests in and advances to unconsolidated real estate joint ventures involved in the development of multifamily rental apartment communities, warehouse and logistics facilities, and single-family master planned for sale housing communities.

As a result of the consolidation of the managing members of various real estate joint ventures sponsored by the Altman Companies and by BBX Logistics, the Company's unconsolidated real estate joint ventures as of June 30, 2024 and December 31, 2023 include the managing members' investments in the underlying real estate joint ventures where the Company has concluded that the managing members do not consolidate the applicable underlying joint ventures.

Investments in unconsolidated real estate joint ventures are accounted for as unconsolidated VIEs under the equity method of accounting.

The Company's investments in and advances to unconsolidated real estate joint ventures consisted of the following (in thousands):

	June 30, 2024	Ownership ⁽¹⁾	December 31, 2023	Ownership ⁽¹⁾
Altis Grand Central	\$ 604	1.49%	636	1.49%
Altis Lake Willis Phase 1	7,404	1.68	7,126	1.68
Altis Lake Willis Phase 2	3,502	5.10	3,398	5.10
Altis Grand at Suncoast	11,652	12.31	12,195	12.31
Altis Blue Lake	4,953	1.68	4,736	1.68
Altis Santa Barbara	7,520	5.10	6,425	5.10
Altis Twin Lakes	6,165	11.39	3,961	11.39
The Park at Delray	2,871	10.00	2,800	10.00
The Park at Lakeland	1,220	50.00	—	—
The Park at Davie	881	50.00	—	—
Marbella	1,038	70.00	1,043	70.00
The Main Las Olas	—	3.41	479	3.41
Sky Cove	119	26.25	118	26.25
Sky Cove South	116	26.25	1,001	26.25
Other	127		158	
Total	\$ 48,172		44,076	

(1) The Company's ownership percentage in each real estate joint venture represents BBX Capital Real Estate's percentage of the contributed capital in each venture, excluding amounts attributable to noncontrolling interests. The operating agreements for many of these ventures provide for a disproportionate allocation of distributions to the extent that certain investors receive specified returns on their investments, and as a result, these percentages do not necessarily reflect the Company's economic interest in the expected distributions from such ventures.

See Note 8 to the Company's consolidated financial statements for the year ended December 31, 2023 included in the 2023 Annual Report for the Company's accounting policies relating to its investments in unconsolidated real estate joint ventures, including the Company's analysis and determination that such entities are VIEs in which the Company is not the primary beneficiary.

BBX Capital's aggregate maximum loss exposure in unconsolidated VIEs, which includes joint ventures sponsored by the Altman Companies and by BBX Logistics, is the amount of its equity investment in these entities and the assets of ABBX as of June 30, 2024, in the aggregate amount of \$63.4 million, which reflects the carrying amount of the Company's investments in these joint ventures and the restricted cash held by ABBX and BBXIG, as further described in Note 14.

Basis Differences

The aggregate difference between the Company's investments in unconsolidated real estate joint ventures and its underlying equity in the net assets of such ventures was \$17.5 million as of June 30, 2024, which includes (i) a \$16.8 million adjustment to recognize certain investments in unconsolidated joint ventures sponsored by the Altman Companies at their estimated fair values upon the Company's consolidation of the managing members of such joint ventures as of the Acquisition Date and (ii) \$1.4 million of interest capitalized by the Company relating to such joint ventures, partially offset by (i) a \$0.5 million impairment loss previously recognized by the Company related to its investment in one of the joint ventures and (ii) a \$0.2 million reduction in the carrying amount of certain investments relating to the elimination of general contractor and development management fees earned by the Altman Companies or BBX Logistics, as applicable, and recognized as revenues by the Company but are capitalized by the underlying development joint ventures. Based on the facts and circumstances of the agreements between the Altman Companies or BBX Logistics, as applicable, and the joint ventures, the Company has determined that the transactions with the ventures are arm's-length transactions, and revenue from construction contracts, real estate development management fee revenue, and the costs of revenue from the construction contracts, as applicable, are eliminated from the Company's statements of operations and comprehensive income based on the Company's ownership percentage in the underlying joint ventures. During the three months ended June 30, 2024 and 2023, the Company eliminated \$2.6 million and \$4.1 million, respectively, of revenue from construction contracts and real estate development management fee revenue and \$2.2 million and \$4.0 million, respectively, of cost of revenue from construction contracts related to such transactions with these unconsolidated real estate joint ventures. During the six months ended June 30, 2024 and 2023, the Company eliminated \$4.5 million and \$7.1 million, respectively, of revenue from construction contracts and real estate development management fee revenue and \$4.5 million and \$6.8 million, respectively, of cost of revenue from construction contracts related to such transactions with these unconsolidated real estate joint ventures.

The Main Las Olas

As of December 31, 2023, BBXRE had invested \$3.8 million as one of a number of investors in The Main Las Olas joint venture, which was formed to invest in the development of The Main Las Olas, a mixed-use project in downtown Fort Lauderdale, Florida comprised of an office tower with approximately 365,000 square feet of leasable area, a residential tower with approximately 341 units, and approximately 45,000 square feet of ground floor retail. In April 2024, The Main Las Olas joint venture sold its ownership interest in the residential tower and a portion of the ground floor retail. As a result, BBXRE received aggregate cash distributions of \$2.1 million from The Main Las Olas joint venture and recognized \$1.6 million of equity earnings from the venture during the three and six months ended June 30, 2024.

7. Other Assets

The Company's other assets consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Prepaid assets	\$ 6,379	9,509
Equity investments - cost method	2,354	2,439
Loans receivable	2,143	2,176
Interest rate cap	1,106	697
Certificate of deposit	5,000	—
Receivables from related parties	1,691	2,209
Other	3,909	2,561
Total other assets	\$ 22,582	19,591

Equity Investments – Cost Method

The Company has equity investments in limited partnerships that are accounted for under the cost method of accounting. The fair values of these equity investments are not reasonably determinable, and there are not observable price changes in orderly transactions for identical or similar equity investments. As a result, the Company recognizes and measures these investments at cost, less impairments, if any. The Company evaluates its cost method investments to determine whether identified events or changes in circumstances indicate that the fair value of an investment is less than its carrying amount and that the investment is impaired.

Loans Receivable

The Company has investments in portfolios of residential loans collateralized by mortgages serviced by financial institutions. The following table presents the carrying value of the Company's loans receivable by loan type (in thousands):

	June 30, 2024	December 31, 2023
First mortgage residential loans	\$ 1,972	2,005
Second mortgage residential loans	171	171
Total residential loans	\$ 2,143	2,176

As of June 30, 2024 and December 31, 2023, \$1.5 million of the loans receivable were greater than 90 days past due, and as of June 30, 2024, \$1.3 million of the loans receivable were in the process of foreclosure. The Company recognizes interest income on loans receivable on a cash basis as the residential loans are collateral dependent.

Pursuant to the servicing agreements for these loans, the financial institutions are required to advance principal and interest on delinquent loans to the Company up to the collateral value of the delinquent loans as determined by the financial institutions. Included in other liabilities as of each of June 30, 2024 and December 2023 was \$2.4 million of principal and interest advances on delinquent loans from financial institutions.

Interest Rate Cap

The Altis Grand Kendall real estate joint venture entered into an interest rate cap contract as an economic hedge for which hedge accounting was not elected, and the changes in the fair value of the interest rate cap are recognized in other income in the Company's statements of operations and comprehensive loss.

8. Notes Payable and Other Borrowings

The table below sets forth information regarding the Company's notes payable and other borrowings (dollars in thousands):

	June 30, 2024			December 31, 2023		
	Debt Balance	Interest Rate	Carrying Amount of Pledged Assets	Debt Balance	Interest Rate	Carrying Amount of Pledged Assets
Community Development District Obligations	\$ —	—	—	\$ 143	2.40 - 3.75%	(1)
TD Bank Credit Facility	16,823	7.97%	39,593	24,950	12.83%	(2)
Regions Bank Revolving Line of Credit	5,026	7.00%	(3)	4,716	7.00%	(3)
First Horizon Bank Revolving Line of Credit (5)	4,850	9.00%	(4)	2,750	9.00%	(4)
Comerica Letters of Credit (6)(7)	800	N/A	—	800	N/A	—
TD Bank Construction Loan (6)	48,654	7.58%	88,925	27,321	7.59%	64,055
Other	241	7.59%	—	241	7.59%	—
Unamortized debt issuance costs	(81)			(116)		
Total notes payable and other borrowings	\$ 76,313			\$ 60,805		

- (1) As of December 31, 2023, pledged assets consisted of 6 lots in Phase 3 of the Beacon Lake Community Development.
- (2) As of December 31, 2023, the collateral was a blanket lien on Renin's assets and the Company's ownership interest in Renin.
- (3) The collateral is \$7.6 million and \$5.9 million of cash and cash equivalents held by BBXRE that is included in restricted cash in the Company's statement of financial condition as of June 30, 2024 and December 31, 2023, respectively.
- (4) The collateral is a blanket lien on BBX Sweet Holdings' assets.
- (5) BBX Capital is the guarantor of the line of credit.
- (6) ABBX is the guarantor of the facility.
- (7) The Company pays an annual two percent fee in advance based on the amount of each letter of credit.

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See Note 13 to the Company's consolidated financial statements included in the 2023 Annual Report for additional information regarding the above listed notes payable and other borrowings.

There were no new debt issuances or significant changes related to the above listed notes payable and other borrowings during the six months ended June 30, 2024 except for the amendments and modifications described below.

TD Bank Credit Facility

On March 13, 2024, Renin's TD Bank Credit Facility was amended and restated in its entirety to provide Renin with (i) an asset-backed revolving line of credit with maximum availability of up to \$30.0 million, subject to available collateral in the form of eligible accounts receivable, inventory, and equipment, and (ii) a term loan with an initial principal balance of \$3.4 million, and the proceeds from the amended and restated facility, along with certain capital contributions from BBX Capital, as described below, were utilized to repay the existing facility. Under the terms of the credit facility, the outstanding balance of the asset-backed revolving line of credit matures on March 13, 2026, while the outstanding balance of the term loan must be repaid in equal quarterly installments of \$0.8 million on May 31, 2024, August 30, 2024, November 30, 2024, and February 28, 2025. The amended and restated credit facility is subject to customary covenants for asset-backed revolving lines of credit, including the following financial covenants: (i) a fixed charge coverage ratio commencing in January 2025, (ii) restrictions on capital expenditures, (iii) a requirement for Renin to maintain \$3.0 million in excess availability between the outstanding balance under the revolving line of credit and the calculated availability under the facility based on the advance rates applicable to eligible collateral under the facility, and (iv) ongoing reporting and appraisals related to eligible collateral. In addition, Renin must meet certain minimum levels of specified operating results through December 2024. Under the terms of the amended and restated facility, interest rates on amounts outstanding under the revolving line of credit are (i) the Canadian Prime Rate plus a spread of 1.00% to 1.50% per annum, (ii) the United States Base Rate plus a spread of 0.50% to 1.00% per annum, (iii) the Canadian Overnight Repo Rate plus a spread of 2.00% to 2.50%, or (iv) the Term SOFR plus a spread of 2.00% to 2.50% per annum, with the spread applicable for each rate being dependent on the amount of excess availability under the revolving line of credit, while the interest rates on amounts outstanding under the term loan are .50% higher than the rates applicable to the revolving line of credit. Under the terms of the facility, the Term SOFR for loans with one to six-months terms are also subject to an additional credit spread adjustment of 10 to 25 basis points per annum.

In connection with the closing of the amended and restated credit facility, BBX Capital contributed \$3.3 million of capital to Renin, and Renin used the funds to pay down a portion of the term loan under the prior facility and for working capital purposes. In addition, BBX Capital Real Estate agreed to maintain a restricted deposit account with TD Bank in the amount of the outstanding balance of the term loan portion of the amended and restated facility. During the period between closing and December 31, 2024, if Renin is not in compliance with the financial covenant requiring Renin to meet certain minimum levels of specific operating results, BBX Capital may make a one-time capital contribution to Renin to cure the noncompliance based on a prescribed formula in the amended and restated credit facility. In addition, if the excess availability under the revolving line of credit decreases below \$3.0 million, Renin would be required to obtain a capital contribution from BBX Capital in the amount of the deficit. However, while BBX Capital's failure to provide such capital contributions may result in events of default under the amended and restated credit facility, BBX Capital is not under any obligation to TD Bank or Renin to make such contributions to Renin. Further, under the terms of the amended and restated facility, BBX Capital no longer has pledged its ownership interests in Renin to TD Bank. Going forward, BBX Capital's management will continue to evaluate the operating results, financial condition, commitments and prospects of Renin and may determine that it will not provide additional funding or capital to Renin.

As of June 30, 2024, Renin had excess availability of approximately \$5.8 million under the revolving line of credit based on its eligible collateral and availability under the credit facility of \$2.8 million due to the minimum excess availability requirement of \$3.0 million, and Renin was in compliance with all financial covenants under the credit facility. However, adverse events, including, but not limited to supply chain disruptions, loss of sales from one or more major customers, or a recession could impact its ability to remain in compliance with its financial covenants and the extent of availability under the TD Bank credit facility in future periods. If Renin is unable to maintain compliance with its debt covenants or obtain waivers if it is not in compliance with such covenants, Renin will no longer be able to access its revolving line of credit, may have to repay all or a portion of its borrowings under the facility prior to the scheduled maturity dates, and/or provide additional collateral for such borrowings, any of which would have a material adverse effect on the Company's liquidity, financial position, and results of operations.

Comerica Letter of Credit Facility - Altman LOC Facility

The Altman Companies has a credit facility with Comerica Bank (the "Altman LOC Facility") pursuant to which Comerica has committed to provide letters of credit on behalf of the Altman Companies up to an aggregate amount of \$4.0 million to fund required deposits under contracts to acquire land for future development joint ventures. The Altman LOC Facility requires the Altman Companies to pay Comerica Bank an annual fee, in advance, equal to 2% per annum of the amount of each letter of credit outstanding under the facility. The facility was scheduled to expire in April 2024; however, in March 2024, the Altman LOC Facility was amended to extend the expiration date to April 2026. The letters of credit under the facility expire no later than one year after issuance. Further, letters of credit may be issued or re-issued prior to the expiration date in April 2026 for periods up to one year; however, any letters of credit under the facility cannot expire later than one year after the expiration under the facility in April 2026. The Altman LOC Facility is guaranteed by ABBX and contains various financial and reporting covenants, including a minimum liquidity requirement for ABBX as guarantor under the facility. As of June 30, 2024, the Altman Companies had one letter of credit outstanding with an aggregate balance of \$0.8 million.

Regions Bank Revolving Line of Credit - IT'SUGAR Credit Facility

In January 2023, IT'SUGAR entered into a credit agreement (the "IT'SUGAR Credit Facility") with Regions Bank which provided for a revolving line of credit of up to \$5.0 million that matured in June 2024.

In July 2024, the IT'SUGAR Credit Facility was amended, effective June 20, 2024, to increase the revolving line of credit from \$5.0 million to \$7.0 million and to extend the maturity date to June 20, 2025. Amounts outstanding under the IT'SUGAR Credit Facility bear interest at the higher of a rate equal to the Regions Bank Prime Rate minus 1.50% per annum or 0% per annum, and the facility requires monthly payments of interest only, with any outstanding principal and accrued interest due at the maturity date. The amended facility also provides for the issuance of letters of credit up to the lesser of (a) \$2.0 million and (b) the amount of the total revolving commitment then in effect. While a letter of credit cannot have an expiration date later than one year from the date of issuance of such letter of credit, a letter of credit may have an expiration date after the maturity date in June 2025 subject to certain conditions. Letter of credit fees are computed and payable on a quarterly basis in arrears and are equal to two percent of the daily maximum amount available to be drawn under such letter of credit. Under the terms of the amended facility, BBX Capital Real Estate has pledged that it will maintain a minimum balance of \$7.0 million of cash and cash equivalents in an investment account with Regions Bank to secure the repayment of the IT'SUGAR Credit Facility.

The Company was in compliance with the financial covenants under all of its credit facilities as of June 30, 2024.

9. Common Stock

BBX Capital has two classes of common stock. Holders of BBX Capital's Class A Common Stock are entitled to one vote per share, which in the aggregate represents 22% of the combined voting power of BBX Capital's Class A and Class B Common Stock. BBX Capital's Class B Common Stock represents the remaining 78% of the combined vote. As of June 30, 2024, the percentage of total common equity represented by the Class A and Class B Common Stock was 73% and 27%, respectively. BBX Capital's Class B Common Stock is convertible into its Class A Common Stock on a share for share basis at any time at the option of the holder.

BBX Capital 2021 Incentive Plan ("2021 Plan")

As of June 30, 2024, BBX Capital had 876,608 and 68,343 of outstanding unvested restricted shares of Class A Common Stock and Class B Common Stock, respectively, compared to 465,789 and 68,343 of outstanding unvested restricted shares of Class A Common Stock and Class B Common Stock, respectively, at December 31, 2023. As of June 30, 2024, the unearned compensation expense associated with the outstanding unvested awards was \$5.2 million, and the weighted average remaining service period for the outstanding unvested awards is 20 months. As of June 30, 2024, there were 1,054,746 and 94,971 shares of Class A Common Stock and Class B Common Stock awards available to be issued under the 2021 Plan, which includes an additional 750,000 shares of Class A Common Stock approved for issuance under the 2021 Plan at BBX Capital's annual meeting of shareholders on May 21, 2024.

On January 16, 2024, the Compensation Committee of BBX Capital's board of directors granted awards of 414,986 restricted shares of Class A Common Stock to the Company's executive and non-executive officers under the 2021 Plan. The aggregate grant date fair value of the January 2024 awards was \$3.8 million (a weighted average fair value per share of \$9.11), and the shares are scheduled to vest ratably in three annual installments of approximately 138,328 shares beginning on October 1, 2024.

Compensation cost for restricted stock awards is based on the fair value of the award on the measurement date, which is generally the grant date. The fair value of restricted stock awards is based on the market price of the Company's common stock on the grant date. For awards that are subject only to service conditions, the Company recognizes compensation costs on a straight-line basis over the requisite service period of the awards, and the impact of forfeitures are recognized when they occur.

Share Repurchase Program

In January 2022, the Board of Directors approved a share repurchase program which authorizes the repurchase of up to \$15.0 million of shares of BBX Capital's Class A Common Stock and Class B Common Stock. The repurchase program authorizes the Company, in management's discretion, to repurchase shares from time to time subject to market conditions and other factors.

The timing, price, and number of shares which may be repurchased under the program in the future will be based on market conditions, applicable securities laws, and other factors considered by management. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market or in privately negotiated transactions. The share repurchase program does not obligate the Company to repurchase any specific amount of shares and may be suspended, modified, or terminated at any time without prior notice.

During the three and six months ended June 30, 2024, BBX Capital repurchased and retired 500,000 shares of its Class A Common Stock for approximately \$4.4 million at a cost of \$8.75 per share under the share repurchase program in a privately negotiated transaction. BBX Capital did not repurchase any shares under the share repurchase program during the three and six months ended June 30, 2023. As of June 30, 2024, BBX Capital had authority under the share repurchase program to purchase an additional \$9.6 million of shares of its Class A and Class B Common Stock.

10. Revenue Recognition

The table below sets forth the Company's revenue disaggregated by category (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenue recognized at a point in time				
Trade sales - wholesale	\$ 24,984	26,871	53,607	59,139
Trade sales - retail	30,983	34,332	60,805	65,778
Sales of real estate inventory	629	4,445	1,953	6,217
Total revenue recognized at a point in time	56,596	65,648	116,365	131,134
Revenue recognized over time				
Construction contract revenue	14,957	36,574	31,404	61,611
Real estate development management fees	636	1,671	1,823	2,538
Real estate property management fees	1,098	965	2,177	1,709
Total revenue recognized over time	16,691	39,210	35,404	65,858
Revenue from customers	73,287	104,858	151,769	196,992
Interest income	1,867	1,674	3,963	4,191
Other revenue	68	312	457	659
Total revenues	\$ 75,222	106,844	156,189	201,842

The table below sets forth information about the Company's contract assets and contract liabilities associated with contracts with customers:

	As of	
	June 30, 2024	December 31, 2023
<i>Contract Assets</i>		
Contingent purchase price receivable due from homebuilders	\$ 4,057	10,044
Cost and estimated earnings in excess of billings on uncompleted contracts	1,673	1,031
Retainage receivable	7,932	14,651
Uninstalled materials and deposits to purchase materials	3,073	5,073
Total contract assets	\$ 16,735	30,799
<i>Contract Liabilities</i>		
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 6,338	10,733
Retainage payable	15,099	16,859
Contingent purchase price due to homebuilders	—	625
Other	407	424
Total contract liabilities	\$ 21,844	28,641

Contract Assets

Contingent purchase price receivables represent estimated variable consideration related to the contingent purchase price due from homebuilders in connection with the sale of real estate inventory to homebuilders at BBXRE's Beacon Lake Community Development. A contingent purchase price receivable and revenue from the sale of real estate inventory is recognized at the closing of the lot sale with the homebuilder. The contingent purchase price receivable is reversed when BBXRE receives payment from the homebuilder upon the closing of the sale of the home by the homebuilder. The timing of the receipt of the payment from the homebuilders has historically been approximately six months to two years subsequent to the closing of the sale of the lot to the homebuilder.

Cost and estimated earnings in excess of billings on uncompleted construction or development contracts represent revenues recognized in excess of amounts billed to customers. The amount represents work performed by BBXRE and not yet billed to the customer in accordance with the terms of the contract with the customer. The amount reverses when the customer is billed. The amounts are reversed monthly.

Retainage receivable is an amount, generally ten percent of the customer billings, withheld by the customer and paid to the Company when certain milestones are reached or when the contract is completed. BBXRE estimates that \$6.3 million and \$1.6 million of the retainage receivable as of June 30, 2024 will be received during the years ended December 31, 2024 and 2025, respectively.

Uninstalled materials and deposits to purchase materials represent funds received from the customer to purchase materials for the project or to provide deposits for items that range from lumber and other construction materials to appliances and fixtures.

Contract Liabilities

Billings in excess of costs and estimated earnings on uncompleted contracts represent the Company's obligation to perform on uncompleted contracts with customers for which the Company has received payment or for which the contract receivable is outstanding. The amounts are reversed when the work is performed by BBXRE. The billings in excess of costs and estimated earnings as of March 31, 2024 of \$8.7 million was recognized in revenue during the three months ended June 30, 2024, and the billings in excess of costs and estimated earnings as of December 31, 2023 of \$10.7 million was recognized in revenue during the six months ended June 30, 2024.

Retainage payable represents amounts withheld by the Company that are payable to subcontractors when certain milestones are reached or when the contract is completed.

The contingent purchase price due to a homebuilder was variable consideration recognition in connection with the sale of real estate inventory at the Beacon Lake Community Development to the homebuilder. The amount was reversed when BBXRE paid the homebuilder.

Concentration of Revenues with Major Customers

During the three and six months ended June 30, 2024, Renin's total revenues included \$15.2 million and \$32.1 million, of trade sales to three major customers and their affiliates and \$9.6 million and \$20.0 million, respectively, of revenues generated outside the United States. Revenues from each of the three major customers were \$3.9 million, \$4.4 million, and \$6.9 million for the three months ended June 30, 2024, which represented 5.1%, 5.9%, and 9.2% of the Company's total revenues for the three months ended June 30, 2024. Revenues from each of the three major customers were \$7.8 million, \$9.9 million, and \$14.4 million for the six months ended June 30, 2024, which represented 5.0%, 6.3%, and 9.2% of the Company's total revenues for the six months ended June 30, 2024.

During the three and six months ended June 30, 2023, Renin's total revenues included \$19.2 million and \$41.2 million, respectively, of trade sales to three major customers and their affiliates and \$9.6 million and \$20.7 million, respectively, of revenues generated outside the United States. Revenues from each of the three major customers were \$4.9 million, \$6.8 million, and \$7.5 million for the three months ended June 30, 2023, which represented 4.5%, 6.4%, and 7.0% of the Company's total revenues for the three months ended June 30, 2023. Revenues from each of the three major customers were \$9.0 million, \$16.0 million, and \$16.2 million for the six months ended June 30, 2023, which represented 4.4%, 7.9%, and 8.0% of the Company's total revenues for the six months ended June 30, 2023.

During the three and six months ended June 30, 2024, the Company generated \$10.0 million and \$21.0 million of revenues from Canada.

During the three and six months ended June 30, 2024, seven real estate development projects in which the Company holds investments accounted for as unconsolidated VIEs accounted for approximately 20.7% and 21.3% of the Company's total revenues. During the three and six months ended June 30, 2023, six real estate development projects accounted for approximately 35.8% and 31.8%, respectively, of the Company's total revenues.

11. Income Taxes

BBX Capital and its subsidiaries file a consolidated U.S. federal income tax return and income tax returns in various state and foreign jurisdictions.

Effective income tax rates for interim periods are based upon the Company's then current estimated annual rate, which varies based upon the Company's estimate of taxable income or loss and the mix of taxable income or loss in the various states and foreign jurisdictions in which the Company operates. The Company's effective tax rate was applied to income or loss before income taxes reduced by net income or losses attributable to noncontrolling interests in consolidated entities taxed as partnerships and net losses in foreign jurisdictions in which no tax benefit can be recognized. In addition, the Company recognizes taxes related to unusual or infrequent items, such as the gains recognized on the consolidation of the Altman Companies and real estate joint ventures during 2023, as discrete items in the interim period in which the event occurs.

The Company's effective income tax rate for the three and six months ended June 30, 2024 was 19% and 18% and was different than the expected federal income tax rate of 21% due to forecasted operating losses offset by the impact of nondeductible executive compensation, valuation allowances related to losses incurred in a foreign jurisdiction, and state income taxes.

The Company's effective income tax rate, inclusive of the effect of certain discrete items, for the three and six months ended June 30, 2023 was approximately 15% and 75%, respectively. The effective tax rate was different than the expected federal income tax rate of 21% due to forecasted operating losses offset by the impact of nondeductible executive compensation, remeasured gains recognized in connection with the consolidation of the Altman Companies and certain real estate joint ventures that will not be recognized as taxable income, valuation allowances related to losses incurred in a foreign jurisdiction, and state income taxes.

BVH's federal tax filings, as well as certain of its state filings, covering tax periods prior to and including the spin-off of the Company from BVH are under examination, and accordingly, such examinations include an audit of the Company, including our subsidiaries. The Company has received requests for information in connection with at least one of these audits and has provided the requested information. While there is no assurance as to the results of these audits, no material adjustments are currently anticipated in connection with these examinations.

12. Earnings Per Share

Basic earnings per share is computed by dividing net income available to BBX Capital's shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed in the same manner as basic earnings per share but also reflects potential dilution that could occur if restricted stock awards issued by BBX Capital were vested. Restricted stock awards, if dilutive, are considered in the weighted average number of dilutive common shares outstanding based on the treasury stock method.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Basic earnings per share				
Numerator:				
Net (loss) income	\$ (9,809)	(7,395)	(22,461)	128
Net income attributable to noncontrolling interests	(170)	(606)	(554)	(226)
Net loss available to shareholders	\$ (9,979)	(8,001)	(23,015)	(98)
Denominator:				
Basic weighted average number of common shares outstanding	13,561	14,354	13,729	14,354
Basic loss per share	\$ (0.74)	(0.56)	(1.68)	(0.01)
Diluted loss per share				
Numerator:				
Net loss available to shareholders	\$ (9,979)	(8,001)	(23,015)	(98)
Denominator:				
Basic weighted average number of common shares outstanding	13,561	14,354	13,729	14,354
Effect of dilutive restricted stock awards	—	—	—	—
Diluted weighted average number of common shares outstanding	13,561	14,354	13,729	14,354
Diluted loss per share	\$ (0.74)	(0.56)	(1.68)	(0.01)

During the three and six months ended June 30, 2024, 944,944 of outstanding unvested restricted stock awards were anti-dilutive and not included in the computation of diluted earnings per share. During the three and six months ended June 30, 2023, 930,614 of outstanding unvested restricted stock awards were anti-dilutive and not included in the computation of diluted earnings per share.

13. Noncontrolling Interests

Redeemable Noncontrolling Interest

ABBX

As of June 30, 2024 and December 31, 2023, the Company's consolidated statement of financial condition included a redeemable noncontrolling interest of \$5.1 million, which relates to a redeemable noncontrolling interest owned by Mr. Altman in ABBX. BBXRE and Mr. Altman each own 50% of ABBX, and Mr. Altman's noncontrolling interest may be redeemed for cash upon contingent events outside of the Company's control.

IT'SUGAR

During the three and six months ended June 30, 2023, the Company's consolidated statements of operation and comprehensive (loss) income included an allocation of losses to redeemable noncontrolling interest associated with IT'SUGAR. Through August 2023, the Company owned over 90% of IT'SUGAR's Class B Units, while the remaining Class B Units were a redeemable noncontrolling interest that were held by an executive officer of IT'SUGAR and were redeemable for cash at the holder's option upon contingent events outside of the Company's control. In August 2023, the Company acquired the remaining Class B Units from the executive officer, and IT'SUGAR became a wholly-owned subsidiary of the Company.

Other Noncontrolling Interests

The Company's other noncontrolling interests consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Consolidated real estate VIEs	\$ 57,071	54,707
AMC	344	138
Restaurant	120	123
Total other noncontrolling interests	\$ 57,535	54,968

Income/(Loss) Attributable to Noncontrolling Interests

Income (loss) attributable to noncontrolling interests, including redeemable noncontrolling interests, consisted of the following (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
IT'SUGAR	\$ —	34	—	(171)
ABBX	64	88	128	88
Consolidated real estate VIEs	(22)	480	166	208
AMC	140	—	207	—
Restaurant	(12)	4	53	101
Net income (loss) attributable to noncontrolling interests	\$ 170	606	554	226

14. Commitments and Contingencies

Litigation

In the ordinary course of business, the Company is party to lawsuits as plaintiff or defendant involving its operations and activities. Additionally, from time to time in the ordinary course of business, the Company is involved in disputes with existing and former employees, vendors, taxing jurisdictions, and various other parties and also receives individual consumer complaints as well as complaints received through regulatory and consumer agencies. The Company takes these matters seriously and attempts to resolve any such issues as they arise.

Reserves are accrued for matters in which management believes it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. Management does not believe that the aggregate liability relating to known contingencies in excess of the aggregate amounts accrued will have a material impact on the Company's results of operations or financial condition. However, litigation is inherently uncertain, and the actual costs of resolving legal claims, including awards of damages, may be substantially higher than the amounts accrued for these claims and may have a material adverse impact on the Company's results of operations or financial condition.

Adverse judgments and the costs of defending or resolving legal claims may be substantial and may have a material adverse impact on the Company's financial statements. Management is not at this time able to estimate a range of reasonably possible losses with respect to matters in which it is reasonably possible that a loss will occur. In certain matters, management is unable to estimate the loss or reasonable range of loss until additional developments provide information sufficient to support an assessment of the loss or reasonable range of loss. Frequently in these matters, the claims are broad, and the plaintiffs have not quantified or factually supported their claims.

There were no material pending legal proceedings against BBX Capital or its subsidiaries as of June 30, 2024.

Other Commitments and Guarantees

BBX Capital has guaranteed certain obligations of its subsidiaries and unconsolidated real estate joint ventures, including the following:

- BBX Capital is a guarantor on a lease executed by Renin which expires in November 2029 with respect to base rents in the aggregate of \$6.5 million, as well as common area costs, under the lease.
- BBX Capital is a guarantor on certain notes payable by its wholly-owned subsidiaries. See Note 8 for additional information regarding these obligations.
- As described in Note 6, ABBX is a consolidated VIE which provides repayment guarantees and construction completion guarantees related to the third party construction loans payable by real estate joint ventures formed by the Altman Companies. The repayment guarantees relate to a specified percentage of the principal balance of the construction loans and generally expire once the applicable multifamily apartment community has stabilized, while the construction completion guarantees extend over the term of the construction period, which is generally two years. The maximum amount of future payments that ABBX could be required to make under the repayment guarantees is \$79.4 million on aggregate joint venture indebtedness of \$322.7 million. ABBX would be required to perform on the guarantees upon a default on a construction loan by a joint venture or to ensure the completion of the construction of a multifamily apartment community. As of June 30, 2024, ABBX had \$10.0 million in cash and cash equivalents, and such amounts are classified as restricted cash in the Company's statement of financial condition as of June 30, 2024, as ABBX must maintain such amounts under the terms of the applicable construction loans payable by the real estate joint ventures. As of June 30, 2024 and December 31, 2023, the Company has not recognized liabilities in its statements of financial condition for the repayment guarantees as the Company believes that the estimated fair values of these guarantees are nominal at the current time based on various factors, including the collateral value securing the loans, the status of the applicable development projects, current expectations regarding the probability of payments being made pursuant to such guarantees, and the prior history of payments made on repayments guarantees issued by ABBX or affiliates of the Altman Companies that previously provided such guarantees. In addition, in the context of the Company's consolidated financial statements, which include the financial statements of the Altman Companies, the managing member of development joint ventures originated by the Altman Companies and ABBX, the construction completion guarantees reflect guarantees of the Altman Companies' own performance as the developer of such communities.
- During 2023, BBX Logistics established BBX Industrial Guaranty, LLC ("BBXIG") to provide repayment, construction completion, and cost overrun guarantees related to the third party construction loans expected to be obtained by real estate joint ventures sponsored by BBX Logistics, as well as construction completion and cost overrun guarantees to the applicable real estate joint ventures, and contributed \$5.0 million of cash and cash equivalents to BBXIG. BBXIG issued guarantees to a third party lender in April 2024 in connection with The Park at Delray joint venture closing on debt financing for the first phase of its development project, including a repayment guarantee, and the maximum amount of future payments that BBXIG could be required to make under the repayment guarantee is \$31.3 million on aggregate joint venture indebtedness of \$31.3 million. BBXIG would be required to perform on the guarantees upon a default on a construction loan by a joint venture or to ensure the completion of the construction of a warehouse and logistics facility. BBXIG also provides construction completion and cost overrun guarantees to the joint ventures sponsored by BBX Logistics, including The Park at Delray, The Park at Lakeland, and The Park at Davie joint ventures. Under the terms of the guarantees, BBXIG is required to maintain a net worth of not less than \$5.0 million, and as a result, the \$5.0 million of cash equivalents held by BBXIG are included in restricted cash in the Company's condensed consolidated statement of financial condition as of June 30, 2024. As of June 30, 2024, the Company had not recognized a liability in its statements of financial condition for the repayment guarantee related to The Park at Delray joint venture's indebtedness as the Company believes that the estimated fair value of the guaranty is nominal at the current time based on various factors, including the collateral value securing the loan, the status of the applicable development project, current expectations regarding the probability of payments being made pursuant to such guarantee, and the prior history of payments made on repayments guarantees issued by the Company, including ABBX and affiliates of the Altman Companies that previously provided such guarantees. In the context of the Company's consolidated financial statements, which include the financial statements of BBX Logistics, which is the managing member of the joint ventures, and BBXIG, the construction completion and cost overrun guarantees reflect guarantees of BBX Logistics' own performance as the developer and managing member of the joint ventures.

15. Fair Value Measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three main valuation techniques to measure the fair value of assets and liabilities: the market approach, the income approach, and the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses financial models to convert future amounts to a single present amount and includes present value and option-pricing models. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset and is often referred to as current replacement cost.

The accounting guidance for fair value measurements defines an input fair value hierarchy that has three broad levels and gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The input fair value hierarchy is summarized below:

The input fair value hierarchy is summarized below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3: Unobservable inputs for the asset and liability

There were no material assets or liabilities measured at fair value on a recurring or nonrecurring basis in the Company's condensed consolidated financial statements as of June 30, 2024 and December 31, 2023.

Financial Disclosures about Fair Value of Financial Instruments

The tables below set forth information regarding the Company's consolidated financial instruments (in thousands):

	Carrying Amount As of June 30, 2024	Fair Value As of June 30, 2024	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 116,049	116,049	116,049	—	—
Restricted cash	25,729	25,729	25,729	—	—
Securities available for sale	10,808	10,808	9,978	830	—
Certificate of deposit	5,000	5,000	—	5,000	—
Interest rate caps	1,106	1,106	—	1,106	—
Financial liabilities:					
Notes payable and other borrowings	76,313	76,117	—	—	76,117

	Carrying Amount As of December 31, 2023	Fair Value As of December 31, 2023	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 90,277	90,277	90,277	—	—
Restricted cash	21,307	21,307	21,307	—	—
Securities available for sale	44,576	44,576	43,751	825	—
Note receivable from BVH	35,000	35,000	—	—	35,000
Interest rate caps	697	697	—	697	—
Financial liabilities:					
Notes payable and other borrowings	60,805	60,771	—	—	60,771

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

The amounts reported in the condensed consolidated statements of financial condition for cash and cash equivalents and restricted cash approximate fair value.

The estimated fair values of the Company's securities available for sale were measured using the market approach with Level 2 inputs for corporate bonds based on estimated market prices of similar financial instruments and the market approach with Level 1 inputs for treasury securities.

The estimated fair value of the Company's certificate of deposit was measured using the market approach with Level 2 inputs based on similar financial instruments.

The estimated fair value of the Company's note receivable from BVH was measured using the income approach with Level 3 inputs by discounting the forecasted cash inflows associated with the note using an estimated market discount rate as impacted by the repayment in full of the note in January 2024.

The fair values of the Company's Community Development Bonds, which are included in notes payable and other borrowings as of December 31, 2023, were measured using the market approach with Level 3 inputs based on estimated market prices of similar financial instruments.

The fair values of the Company's notes payable and other borrowings (other than the Company's Community Development Bonds) were measured using the income approach with Level 3 inputs by discounting the forecasted cash flows based on estimated market rates.

The fair value of an interest rate cap derivative is included in other assets in the Company's statement of financial condition as of June 30, 2024 and December 31, 2023. The Altis Grand Kendall real estate joint venture entered into an interest rate cap contract in order to mitigate the impact of rising interest costs on its variable rate construction loan. The interest rate cap derivative was measured using the market approach with Level 2 inputs based on estimated market prices of similar instruments.

The Company's financial instruments also include trade accounts receivable, accounts payable, and accrued liabilities. The carrying amount of these financial instruments approximate their fair values due to their short-term maturities.

The Company is exposed to credit related losses in the event of non-performance by counterparties to the financial instruments with a maximum exposure equal to the carrying amount of the assets. The Company's exposure to credit risk consists primarily of accounts receivable balances.

16. Certain Relationships and Related Party Transactions

The Company may be deemed to be controlled by Alan B. Levan, the Company's Chairman, John E. Abdo, the Company's Vice Chairman, Jarett S. Levan, the Company's Chief Executive Officer and President, and Seth M. Wise, the Company's Executive Vice President. Together, they may be deemed to beneficially own shares of BBX Capital's Class A Common Stock and Class B Common Stock representing approximately 84% of BBX Capital's total voting power. Mr. Alan B. Levan previously also served as the Chairman, Chief Executive Officer, and President of BVH, Mr. Abdo previously also served as Vice Chairman of BVH, and Mr. Jarett Levan and Mr. Seth M. Wise also previously served as directors of BVH. On January 17, 2024, BVH was acquired by HGV. Upon the consummation of the acquisition, Mr. Alan Levan, Mr. Abdo, Mr. Jarett Levan, and Mr. Wise resigned as directors and officers of BVH.

John E. Abdo, the Company's Vice Chairman, is the principal shareholder and Chief Executive Officer of the Abdo Companies, Inc. During the three and six months ended June 30, 2024 the Company paid the Abdo Companies, Inc. approximately \$42,000 and \$87,000, respectively, for certain management services and rent. During the three and six months ended June 30, 2023, the Company paid the Abdo Companies, Inc. approximately \$46,000 and \$91,000, respectively, for certain management services and rent.

During each of the three and six months ended June 30, 2024, the Company provided Mr. Alan B. Levan and Mr. John Abdo administrative services and Mr. Alan Levan and Mr. Abdo reimbursed the Company, at cost, \$43,000 and \$33,000, respectively, for such services.

The Company earns property management and development management fees from property management agreements and development service contracts with certain real estate joint venture entities in which the Company is the managing member and other affiliated entities, including entities in which Mr. Altman holds investments. Property management and development management fees included in the Company's condensed consolidated statement of operations and comprehensive income from these affiliates during the three and six months ended June 30, 2024 were \$1.0 million and \$2.5 million, respectively, and during the three and six months ended June 30, 2023 were \$1.8 million and \$2.7 million, respectively. The Company is also the general contractor for the construction of multifamily apartment communities for certain real estate joint ventures in which the Company is the managing member and recognized \$15.0 million and \$31.4 million, respectively, of revenue for these services during the three and six months ended June 30, 2024 and \$36.6 million and \$61.6 million, respectively, during the three and six months ended June 30, 2023. Included in the Company's statement of financial condition as of June 30, 2024 and December 31, 2023 was \$7.0 million, \$12.7 million and \$21.8 million, respectively, and \$13.5 million, \$20.8 million and \$28.6 million, respectively, of construction contract receivables, contract assets and contract liabilities related to the performance of the above mentioned services to such affiliated entities.

Certain of the Company's executive officers (i) have made investments with their personal funds as non-managing members in the Altis Grand Kendall joint venture that is consolidated in the Company's financial statements and (ii) may in the future make similar investments as non-managing members in real estate joint ventures sponsored by the Altman Companies. In such circumstances, the executive officers may only make such investments if such investments are offered to outside investors on similar terms, and their investments in the real estate joint ventures will be entitled to profits similar to those earned by unaffiliated, non-managing members rather than the profits to which BBXRE will be entitled as the managing member. With respect to the Altis Grand Kendall joint venture that is consolidated in the Company's financial statements, these investments held by the executive officers are reflected as noncontrolling interests in the Company's condensed consolidated statement of financial position. However, the accounting for any such investments in future projects will depend on whether the managing member entity of such projects consolidates the underlying real estate joint venture. In addition, pursuant to the terms of their employment agreements, two executive officers of the Altman Companies have previously invested their personal funds in the managing member of real estate joint ventures sponsored by the Altman Companies, and their investments in the managing member of these real estate joint ventures are entitled to profits similar to those earned by the managing member.

The Altman Companies and BBX Logistics have each established a separate employee incentive program that provides loans to employees to invest in the managing members of real estate joint ventures sponsored by the Altman Companies or BBX Logistics, as applicable. The loans generally accrue interest at the Prime Rate plus a specified spread and are secured by the employees' membership interests in the managing member entities. The membership interests vest upon the achievement of certain project milestones related to the development and sale of the applicable projects, and employees must be employed by the Altman Companies or BBX Logistics, as applicable, upon the achievement of such milestones. Further, the loans are payable upon the sale of the applicable projects. Membership interests in the managing members of real estate joint ventures held by employees that are funded by loans provided by the Altman Companies or BBX Logistics that are non-recourse either in whole or in part, are treated as equity options for accounting purposes. The Company recognizes the fair value of the arrangements at the grant date as compensation expense on a straight-line basis over the estimated service period, including the implied service period related to the applicable milestones. The compensation expense for these awards was \$7,000 and \$0.4 million, respectively, for the three and six months ended June 30, 2024, and \$0.2 million and \$0.3 million, respectively, for the same 2023 periods, and the unrecognized compensation expense related to these awards was \$1.3 million as of June 30, 2024.

Upon the consummation of the spin-off of the Company from BVH, all agreements with BVH were terminated and replaced with a Transition Services Agreement, Tax Matters Agreement, and Employee Matters Agreement. Upon the acquisition of BVH by HGV, these agreements were terminated. Although the Company temporarily provided transition services related to risk management to BVH and HGV following the termination of the Transition Services Agreement in January 2024, the Company is no longer providing such risk management advisory services to BVH or HGV.

During the three and six months ended June 30, 2024, the Company recognized \$0 and \$0.4 million, respectively, of income for providing office space, risk management, and management advisory services to BVH, including income related to temporary transition services provided to BVH and HGV subsequent to the acquisition of BVH by HGV in January 2024. During the three and six months ended June 30, 2023, the Company recognized \$0.5 million and \$1.0 million, respectively, of income for providing office space, risk management, and management advisory services to BVH. The amounts paid or reimbursed are based on an allocation of the actual cost of providing the services or space. The amount receivable from BVH related to such services was \$0 and \$0.3 million as of June 30, 2024 and December 31, 2023, respectively.

In connection with the spin-off, BVH also issued a \$75.0 million note payable to BBX Capital that accrued interest at a rate of 6% per annum and required payments of interest on a quarterly basis. All outstanding amounts under the note were to become due and payable on September 30, 2025 or earlier upon certain other events. In December 2021, BVH made a \$25.0 million prepayment of the note reducing the outstanding note balance from \$75.0 million to \$50.0 million. Additionally, in May 2023, the Company and BVH agreed to a discounted prepayment of \$15.0 million of the principal balance of the note pursuant to which the Company received proceeds of \$14.1 million in return for a principal reduction of \$15.0 million. As a result of the repayments, the outstanding balance of the note was further reduced to \$35.0 million. Included in interest income in the Company's consolidated statement of operations and comprehensive (loss) income for the three and six months ended June 30, 2023 was \$0.6 million and \$1.4 million, respectively, relating to accrued interest on the note receivable from BVH compared to \$0 and \$0.1 million during the three and six months ended June 30, 2024, respectively. In connection with the acquisition of BVH by HGV, the \$35.0 million outstanding balance of the note payable owed to the Company was paid in full.

17. Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker ("CODM") in assessing performance and deciding how to allocate resources. Reportable segments consist of one or more operating segments with similar economic characteristics, products and services, production processes, type of customer, distribution system, or regulatory environment.

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The information provided for segment reporting is obtained from internal reports utilized by the Company's CODM, and the presentation and allocation of assets and results of operations may not reflect the actual economic costs of the segments as standalone businesses. If a different basis of allocation were utilized, the relative contributions of the segments might differ, but the relative trends in the segments' operating results would, in management's view, likely not be materially impacted.

The Company's three reportable segments are its principal holdings: BBX Capital Real Estate, BBX Sweet Holdings, and Renin. See Note 1 for a description of the Company's principal investments.

The amounts set forth in the column entitled "Other" include the Company's investments in various operating businesses, including a controlling financial interest in a restaurant acquired in connection with a loan receivable default. The amounts set forth in the column entitled "Reconciling Items and Eliminations" include unallocated corporate general and administrative expenses, interest income on the note receivable from BVH for the six months ended June 30, 2024 and the three and six months ended June 30, 2023, and elimination adjustments related to transactions between consolidated subsidiaries that are required to be eliminated in consolidation.

The Company evaluates segment performance based on segment income or loss before income taxes.

The table below sets forth the Company's segment information as of and for the three months ended June 30, 2024 (in thousands):

	BBX Capital Real Estate	BBX Sweet Holdings	Renin	Other	Reconciling Items and Eliminations	Segment Total
Revenues:						
Trade sales	\$ —	31,892	22,435	1,646	(6)	55,967
Sales of real estate inventory	629	—	—	—	—	629
Revenue from construction contracts	14,957	—	—	—	—	14,957
Real estate development and property management fees	1,734	—	—	—	—	1,734
Interest income	1,662	—	—	—	205	1,867
Other revenue	51	—	—	267	(250)	68
Total revenues	19,033	31,892	22,435	1,913	(51)	75,222
Costs and expenses:						
Cost of trade sales	—	20,674	19,203	569	(5)	40,441
Cost of revenue from construction contracts	15,432	—	—	—	—	15,432
Interest expense	30	573	567	2	(533)	639
Recoveries from loan losses, net	(247)	—	—	—	—	(247)
Impairment losses	218	—	—	—	—	218
Selling, general and administrative expenses	5,943	15,585	3,320	1,596	6,862	33,306
Total costs and expenses	21,376	36,832	23,090	2,167	6,324	89,789
Operating losses	(2,343)	(4,940)	(655)	(254)	(6,375)	(14,567)
Equity in net earnings of unconsolidated real estate joint ventures	1,676	—	—	—	—	1,676
Other income	247	145	2	7	88	489
Foreign exchange gain	—	15	220	—	—	235
Loss before income taxes	(420)	(4,780)	(433)	(247)	(6,287)	(12,167)
Total assets	\$ 351,412	174,824	77,507	5,232	36,675	645,650
Expenditures for property and equipment	\$ 8	2,018	168	4	4	2,202
Depreciation and amortization	(253)	2,052	832	44	103	2,778
Debt accretion and amortization	—	(77)	214	—	—	137
Cash and cash equivalents	\$ 73,873	4,475	288	1,357	36,056	116,049
Real estate equity method investments	\$ 48,172	—	—	—	—	48,172
Goodwill	\$ 31,233	14,274	4,140	—	—	49,647
Notes payable and other borrowings	\$ 49,454	26,656	16,742	—	(16,539)	76,313

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The table below sets forth the Company's segment information as of and for the three months ended June 30, 2023 (in thousands):

	BBX Capital Real Estate	BBX Sweet Holdings	Renin	Other	Reconciling Items and Eliminations	Segment Total
Revenues:						
Trade sales	\$ —	35,013	24,344	1,860	(14)	61,203
Sales of real estate inventory	4,445	—	—	—	—	4,445
Revenue from construction contracts	36,574	—	—	—	—	36,574
Real estate development and management fees	2,636	—	—	—	—	2,636
Interest income	2,111	—	—	—	(437)	1,674
Other revenue	50	—	—	453	(191)	312
Total revenues	45,816	35,013	24,344	2,313	(642)	106,844
Costs and expenses:						
Cost of trade sales	—	21,902	22,415	624	(14)	44,927
Cost of real estate inventory sold	959	—	—	—	—	959
Cost of revenue from construction contracts	38,129	—	—	—	—	38,129
Interest expense	35	375	1,152	1	(863)	700
Recoveries from loan losses, net	(2,507)	—	—	—	—	(2,507)
Selling, general and administrative expenses	6,326	15,217	3,991	1,680	7,092	34,306
Total costs and expenses	42,942	37,494	27,558	2,305	6,215	116,514
Operating income (losses)	2,874	(2,481)	(3,214)	8	(6,857)	(9,670)
Equity in net earnings of unconsolidated real estate joint ventures						
	728	—	—	—	—	728
Gain on the consolidation of investment in real estate joint ventures						
	27	—	—	—	—	27
Other income (expense)						
	649	24	(5)	6	42	716
Foreign exchange loss						
	—	(18)	(470)	—	—	(488)
Income (loss) before income taxes	\$ 4,278	(2,475)	(3,689)	14	(6,815)	(8,687)
Total assets	\$ 348,321	170,907	93,091	6,775	54,632	673,726
Expenditures for property and equipment						
	\$ 9	3,098	457	80	2	3,646
Depreciation and amortization						
	\$ (610)	2,282	878	42	1,037	3,629
Debt accretion and amortization						
	\$ 33	(17)	(51)	—	—	(35)
Cash and cash equivalents						
	\$ 56,444	3,336	648	2,366	18,675	81,469
Real estate equity method investments						
	\$ 61,189	—	—	—	—	61,189
Goodwill						
	\$ 33,877	14,274	4,140	—	—	52,291
Notes payable and other borrowings						
	\$ 2,343	18,920	44,025	1	(27,450)	37,839

The table below sets forth the Company's segment information as of and for the six months ended June 30, 2024 (in thousands):

	BBX Capital Real Estate	BBX Sweet Holdings	Renin	Other	Reconciling Items and Eliminations	Segment Total
Revenues:						
Trade sales	\$ —	62,136	47,999	4,287	(10)	114,412
Sales of real estate inventory	1,953	—	—	—	—	1,953
Revenue from construction contracts	31,404	—	—	—	—	31,404
Real estate development and property management fees	4,000	—	—	—	—	4,000
Interest income	3,539	—	—	—	424	3,963
Other revenue	102	—	—	785	(430)	457
Total revenues	40,998	62,136	47,999	5,072	(16)	156,189
Costs and expenses:						
Cost of trade sales	—	40,442	40,221	1,338	(9)	81,992
Cost of real estate inventory sold	321	—	—	—	—	321
Cost of revenue from construction contracts	35,638	—	—	—	—	35,638
Interest expense	59	1,043	1,402	3	(999)	1,508
Recoveries from loan losses, net	(824)	—	—	—	—	(824)
Impairment losses	218	—	—	—	—	218
Selling, general and administrative expenses	12,815	30,977	7,162	3,596	14,169	68,719
Total costs and expenses	48,227	72,462	48,785	4,937	13,161	187,572
Operating (losses) income	(7,229)	(10,326)	(786)	135	(13,177)	(31,383)
Equity in net earnings of unconsolidated real estate joint ventures	1,717	—	—	—	—	1,717
Other income	688	646	2	13	85	1,434
Foreign exchange (loss) gain	—	(1)	707	—	—	706
(Loss) income before income taxes	\$ (4,824)	(9,681)	(77)	148	(13,092)	(27,526)
Expenditures for property and equipment	\$ 8	3,557	378	8	4	3,955
Depreciation and amortization	\$ (649)	3,889	1,672	89	206	5,207
Debt accretion and amortization	\$ 5	14	224	—	—	243

The table below sets forth the Company's segment information as of and for the six months ended June 30, 2023 (in thousands):

	BBX Capital Real Estate	BBX Sweet Holdings	Renin	Other	Reconciling Items and Eliminations	Segment Total
Revenues:						
Trade sales	\$ —	67,738	52,320	4,876	(17)	124,917
Sales of real estate inventory	6,217	—	—	—	—	6,217
Revenue from construction contracts	61,611	—	—	—	—	61,611
Real estate development and management fees	4,247	—	—	—	—	4,247
Interest income	4,085	—	—	—	106	4,191
Other revenue	101	—	—	889	(331)	659
Total revenues	76,261	67,738	52,320	5,765	(242)	201,842
Costs and expenses:						
Cost of trade sales	—	42,448	48,422	1,481	(17)	92,334
Cost of real estate inventory sold	1,537	—	—	—	—	1,537
Cost of revenue from construction contracts	62,318	—	—	—	—	62,318
Interest expense	46	707	2,273	2	(1,593)	1,435
Recoveries from loan losses, net	(3,107)	—	—	—	—	(3,107)
Selling, general and administrative expenses	12,566	29,758	7,839	3,838	14,083	68,084
Total costs and expenses	73,360	72,913	58,534	5,321	12,473	222,601
Operating income (losses)	2,901	(5,175)	(6,214)	444	(12,715)	(20,759)
Equity in net earnings of unconsolidated real estate joint ventures	1,832	—	—	—	—	1,832
Gain on the consolidation of The Altman Companies	6,195	—	—	—	—	6,195
Gain on the consolidation of investment in real estate joint ventures	10,882	—	—	—	—	10,882
Other income (expense)	344	224	(4)	2,262	61	2,887
Foreign exchange loss	—	(32)	(502)	—	—	(534)
Income (loss) before income taxes	\$ 22,154	(4,983)	(6,720)	2,706	(12,654)	503
Expenditures for property and equipment	\$ 9	8,167	741	128	15	9,060
Depreciation and amortization	\$ (806)	4,084	1,745	81	1,145	6,249
Debt accretion and amortization	\$ 53	(11)	(9)	—	—	33

18. Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued. As of such date, there were no material subsequent events identified that required recognition or disclosure other than as disclosed in the footnotes herein.

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

Except as otherwise noted or where the context otherwise requires, the terms “the Company,” “we,” “us,” or “our” refers to BBX Capital, Inc. and its consolidated subsidiaries, and the term “BBX Capital” refers to BBX Capital, Inc. as a standalone entity. BBX Capital’s principal holdings are BBX Capital Real Estate, LLC (“BBX Capital Real Estate” or “BBXRE”), BBX Sweet Holdings, LLC (“BBX Sweet Holdings”), and Renin Holdings, LLC (“Renin”).

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements based largely on current expectations of the Company that involve a number of risks and uncertainties. All opinions, forecasts, projections, future plans, or other statements, other than statements of historical fact, are forward-looking statements and can be identified by the use of words or phrases such as “plans,” “believes,” “will,” “expects,” “anticipates,” “intends,” “estimates,” “our view,” “we see,” “would,” and words and phrases of similar import. The forward-looking statements in this document are also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and involve substantial risks and uncertainties. We can give no assurance that such expectations will prove to be correct. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. Forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. When considering forward-looking statements, the reader should keep in mind the risks, uncertainties, and other cautionary statements made in this report and in the Company’s other reports filed with the Securities and Exchange Commission (“SEC”). The reader should not place undue reliance on any forward-looking statement, which speaks only as of the date made. This document also contains information regarding the past performance of the Company and its respective investments and operations. The reader should note that prior or current performance, as well as estimated, provisional, and/or pro forma financial information, is not a guarantee or indication of future performance. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, and all such information should only be viewed as historical data.

Future results and the accuracy of forward-looking statements may be affected by various risks and uncertainties, including the risk factors applicable to the Company which are described herein and in “Item 1. Business – Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended 2023 (the “2023 Annual Report”). Risks and uncertainties include risks relating to general competitive, economic, industry, market, geopolitical, and public health issues, including the impact of inflation on our costs and the ability to pass price increases on to our customers, a decline in customer spending or deterioration in consumers’ financial position or confidence, labor shortages or disruptions, increased interest rates, and current inflationary trends. The current inflationary environment has had a negative impact on our margins, including as a result of increased energy and raw material costs and increasing wages in the labor markets in which we compete. We expect that inflation will continue to pressure our margins in future periods. In addition, in response to the concerns over inflation risk and the broader U.S. economy, the U.S. Federal Reserve raised interest rates throughout 2022 and 2023. Adverse economic conditions resulting from inflationary pressures, increased interest rates and geopolitical issues are difficult to predict, and it is not possible to assess the expected duration and effects of the uncertain economic and geopolitical environment which create a number of risks that could adversely impact our businesses. These include (i) higher interest expense on variable rate debt and any new debt, (ii) lower gross margins due to increased costs of manufactured or purchased inventory and shipping, (iii) a decline in the availability of debt and equity capital for new real estate investments and the number of real estate development projects meeting the Company’s investment criteria, (iv) higher overall operating expenses due to increases in labor, insurance and service costs, (v) a reduction in customer demand for our products, (vi) a shift in customer behavior as higher prices affect customer retention and higher consumer borrowing costs, including mortgage borrowings, affect customer demand, and (vii) increased risk of impairments as a result of declining valuations. In light of these conditions, we have taken steps to increase prices; however, such increases may not be accepted by our customers, may not adequately offset the increases in our costs, and/or could negatively impact customer retention and our gross margin.

Given these uncertainties, you are cautioned not to place undue reliance on forward-looking statements, and you should read this Quarterly Report on Form 10-Q with the understanding that actual future results, levels of activity, performance, and events and circumstances may be materially different from prior results or what the Company expects. The Company qualifies all forward-looking statements by these cautionary statements.

Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and the Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

The risk factors described in the 2023 Annual Report, as well as the other risks and factors detailed in this report and the other reports filed by the Company with the SEC, are not necessarily all of the important factors that could cause the Company's actual results to differ materially from those expressed in any of the forward-looking statements. Other unknown or unpredictable factors could cause the Company's actual results to differ materially from those expressed in any of the forward-looking statements. As a result, the Company cautions that the foregoing factors are not exclusive.

Critical Accounting Policies

See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the section "Critical Accounting Policies" in the Company's 2023 Annual Report for a discussion of the Company's critical accounting policies.

New Accounting Pronouncements

See Note 1 to the Company's condensed consolidated financial statements included in Item 1 of this report for a discussion of new accounting pronouncements applicable to the Company.

Overview

BBX Capital is a Florida-based diversified holding company whose principal holdings are BBX Capital Real Estate, BBX Sweet Holdings, and Renin. As of June 30, 2024, the Company had total consolidated assets of \$645.7 million and shareholders' equity of \$286.2 million.

The Company's goal is to build long-term shareholder value. Since many of the Company's assets do not generate income on a regular or predictable basis, the Company's objective is long-term growth as measured by increases in book value and intrinsic value over time. The Company regularly reviews the performance of its investments and, based upon economic, market, and other relevant factors, considers transactions involving the sale or disposition of all or a portion of its assets, investments, or subsidiaries. Further, subject to market conditions and other factors, the Company has and may from time to time in the future repurchase shares of its outstanding common stock.

Impact of Economic Conditions

Headline inflation has remained elevated over the Federal Reserve's targeted inflation rate of 2.0% for an extended period of time and was 3.0% in June 2024. While inflation showed signs of easing during 2023, the inflation rate during the first six months of 2024 was above the Federal Reserve's expectations. The conflicts in the Middle East and Ukraine may further increase energy prices and worsen supply chain issues with the potential of exacerbating inflationary trends. While the U.S. economy has grown in the face of inflationary pressures and higher interest rates, it is possible that the United States and/or the global economy generally will experience a downturn of an uncertain magnitude and duration. These conditions can negatively affect our operating results by resulting in, among other things: (i) additional interest expense on variable rate debt and any new debt, (ii) lower gross margins due to increased costs of manufactured or purchased inventory and shipping, (iii) a decline in the availability of debt and equity capital for new real estate investments and the number of real estate development projects meeting the Company's investment criteria, (iv) higher overall operating expenses due to increases in labor and service costs, (v) a reduction in customer demand for our products, (vi) a shift in customer behavior as higher prices affect customer retention and higher consumer borrowing costs, including mortgage borrowings, affect customer demand, and (vii) increased risk of impairments as a result of declining valuations.

BBXRE has experienced a significant increase in commodity and labor prices and insurance costs which has resulted in higher development and construction costs. Furthermore, homebuilders have seen some softening of demand, and the increase in mortgage rates has had an adverse impact on residential home sales. In addition, higher interest rates have increased the cost of the Company's outstanding indebtedness and any financing for new development projects. Increased rates have also had an adverse impact on the availability of financing, and the anticipated profitability of development projects, as (i) a majority of development costs are financed with third party debt and (ii) capitalization rates related to multifamily apartment communities are generally impacted by interest rates. BBXRE has also observed a decline in the number of potential investors interested in providing equity or debt financing for the development of new multifamily apartment developments or the acquisition of stabilized multifamily apartment communities. These factors have adversely impacted BBXRE's results of operations, cash flows, and financial condition and may have a more significant adverse impact on BBXRE in future periods, particularly if higher development and construction costs continue and debt and equity financing is not available for new projects or is only available on less attractive terms.

Similarly, as a result of inflationary pressures and ongoing disruptions in global supply chains, IT'SUGAR experienced significant increases in the cost of inventory and freight, as well as delays in its supply chain that previously impacted its ability to maintain inventory levels at its retail locations. While IT'SUGAR has increased the inventory levels at its retail locations in an effort to ensure that it could meet consumer demand, these higher inventory levels have increased the risk that IT'SUGAR will be unable to sell the products and the risk of inventory writedowns. While IT'SUGAR mitigated the impact of increased costs through increases in the prices of its products, IT'SUGAR had to slow the pace of increases in the prices of its products due to a recent decline in consumer demand, which has resulted in declines in its selling margins. Further, IT'SUGAR has also experienced an increase in payroll costs as a result of shortages in available labor at its retail locations.

Global supply chain disruptions and increases in commodity prices have also contributed to a significant increase in Renin's costs related to shipping and raw materials as well as delays in its supply chains, which have: (i) negatively impacted Renin's product costs and gross margin, (ii) increased the risk that Renin will be unable to fulfill customer orders, and (iii) negatively impacted Renin's working capital and cash flows due to increased inventory in transit, a prolonged period between when it is required to pay its suppliers and it is paid by its customers, and an overall decline in its gross margin. While Renin has been successful in raising prices of certain of its products, Renin's gross margin has nonetheless been negatively impacted by cost pressures. Increases in interest rates have had and will continue to adversely impact Renin's results. Further, Renin has observed a decline in customer demand, which Renin believes may be attributable to (i) the impact of price increases and overall inflationary pressures on consumer behavior and (ii) a post pandemic shift in consumer spending away from home improvements. Renin has implemented cost reduction initiatives which resulted in improved gross margins and amended its credit facility with TD Bank which reduced its interest expense; however, there is no assurance that these efforts will result in further cost savings and these efforts may result in unanticipated impacts on Renin including lower sales. In March 2024, Renin amended its credit facility with TD Bank in part to address Renin's noncompliance with certain financial covenants and Renin is currently in compliance with its financial covenants under the terms of the amended and restated credit facility. If Renin is not able to maintain compliance with its financial covenants under its credit facility with TD Bank, Renin could lose availability under its revolving line of credit, be required to provide additional collateral, or be required to repay all or a portion of its borrowings with TD Bank, any of which would have a material adverse effect on the Company's liquidity, financial position, and results of operations.

Labor is one of the primary components of our expenses. A number of factors may adversely affect the labor force available to us or increase our labor costs, including labor shortages, and increased competition for qualified employees. A sustained labor shortage or increased turnover rates, whether caused by wage inflation or as a result of general economic conditions, natural disasters or other factors, could lead to increased costs, increased overtime pay to meet demand and increased costs to attract and retain employees, which could in turn negatively affect our operations or adversely impact our business and results. Further, any mitigation measures we take in response to a decrease in labor availability or an increase in labor costs may be unsuccessful and could have negative effects.

Interest rates also have a significant impact on homebuyers and home sales, the availability of financing, the affordability of residential mortgages, the profitability of development projects as a majority of development costs are financed with third party debt, and the value of multifamily apartment communities, as rising interest rates often correlate to an increase in capitalization rates applied to sales transactions.

In light of current economic conditions, we have taken steps, where possible, to increase prices to our customers; however, such increases may not be accepted by our customers, may not adequately offset the increases in our costs, and/or could negatively impact customer retention and our gross margin.

Summary of Consolidated Results of Operations

Consolidated Results

The following summarizes key financial highlights for the three months ended June 30, 2024 compared to the same 2023 period:

- Total consolidated revenues of \$75.2 million compared to \$106.8 million during the same 2023 period.
- Loss before income taxes of \$(12.2) million compared to \$(8.7) million during the same 2023 period.
- Net loss attributable to shareholders of \$(10.0) million compared to \$(8.0) million during the same 2023 period.
- Diluted loss per share of (\$0.74) compared to (\$0.56) for the same 2023 period.

The following summarizes key financial highlights for the six months ended June 30, 2024 compared to the same 2023 period:

- Total consolidated revenues of \$156.2 million compared to \$201.8 million during the same 2023 period.
- Loss before income taxes of \$(27.5) million compared to income before income taxes of \$0.5 million during the same 2023 period.
- Net loss attributable to shareholders of \$(23.0) million compared to \$(0.1) million during the same 2023 period.
- Diluted loss per share of (\$1.68) compared to (\$0.01) for the same 2023 period.

The Company's consolidated results of operations for the three months ended June 30, 2024 compared to the same 2023 period were significantly impacted by the following:

- A net decrease in BBXRE's results of operations, which primarily reflects a decrease in net profits from the sale of lots to homebuilders at the Beacon Lake Community development in 2024 as compared to 2023, as BBXRE did not sell any developed lots during the 2024 period compared to 15 developed lots sold during the 2023 period, and lower recoveries from loan losses, partially offset by higher equity in net earnings of unconsolidated joint ventures primarily due to The Main Las Olas joint venture's sale of its residential tower in 2024; and
- An increase in BBX Sweet Holdings' operating loss before income taxes primarily due to an increase in IT'SUGAR's operating loss, which reflects lower comparable store sales and higher occupancy and payroll expenses, which includes the impact of new and expanded store locations opened in 2023; partially offset by
- An improvement in Renin's results of operations, which reflects, among other things, (i) higher gross margin and gross margin percentages as a result of price increases, a reduction in shipping costs, and various initiatives implemented by Renin to reduce costs and (ii) lower interest expense, partially offset by the impact of a net decrease in sales as a result of lower customer demand.

The Company's consolidated results of operations for the six months ended June 30, 2024 compared to the same 2023 period were impacted by the factors described above related to the three months ended June 30, 2024 compared to the same 2023 period, as well as (i) the impact of gains recognized by the Company during the six months ended June 30, 2023 upon the consolidation of the Altman Companies and related real estate joint ventures in January 2023, (ii) the recognition of a gain during the six months ended June 30, 2023 related to the Company's sale of its third party insurance agency business, and (iii) a higher net loss related to the Altman Companies during the six months ended June 30, 2024, which primarily reflects the impact of the failure of certain subcontractors to perform pursuant to their construction contracts with Altman Builders at certain construction projects and resulting unforeseen costs.

Segment Results

BBX Capital reports the results of its business activities through the following reportable segments: BBX Capital Real Estate, BBX Sweet Holdings, and Renin.

Information regarding (loss) income before income taxes by reportable segment is set forth in the table below (in thousands):

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
BBX Capital Real Estate	\$ (420)	4,278	(4,698)	(4,824)	22,154	(26,978)
BBX Sweet Holdings	(4,780)	(2,475)	(2,305)	(9,681)	(4,983)	(4,698)
Renin	(433)	(3,689)	3,256	(77)	(6,720)	6,643
Other	(247)	14	(261)	148	2,706	(2,558)
Reconciling items and eliminations	(6,287)	(6,815)	528	(13,092)	(12,654)	(438)
(Loss) income before income taxes	(12,167)	(8,687)	(3,480)	(27,526)	503	(28,029)
Benefit (provision) for income taxes	2,358	1,292	1,066	5,065	(375)	5,440
Net (loss) income	(9,809)	(7,395)	(2,414)	(22,461)	128	(22,589)
Net income attributable to noncontrolling interests	(170)	(606)	436	(554)	(226)	(328)
Net loss attributable to shareholders	\$ (9,979)	(8,001)	(1,978)	(23,015)	(98)	(22,917)

BBX Capital Real Estate Reportable Segment

Segment Description

BBX Capital Real Estate is primarily engaged in the acquisition, development, and sale of multifamily rental apartment communities, warehouse and logistics facilities, and single-family master-planned housing communities located primarily in Florida. As part of its real estate development activities, BBX Capital Real Estate invests in developments primarily through joint ventures in which it serves as the managing member, and BBX Capital Real Estate also generates fees from various services related to these developments, including acquisition, development management, general contractor, and property management services. Since November 2018, BBX Capital Real Estate has owned a 50% equity interest in The Altman Companies, LLC (the "Altman Companies"), a development and manager of multifamily apartment communities, and in January 2023, BBX Capital Real Estate acquired the remaining equity interests in the Altman Companies. In 2021, BBX Capital Real Estate also established BBX Logistics Properties, LLC ("BBX Logistics"), a developer of warehouse and logistics facilities.

Business Update

As previously described in the 2023 Annual Report, economic and market conditions have had and are continuing to have a significant adverse impact on BBXRE's operations, particularly its operations through the Altman Companies. In particular, higher interest rates have (i) increased the cost of the Company's outstanding indebtedness and new financings, (ii) adversely impacted the availability of financing for development projects, and (iii) adversely impacted the anticipated profitability of existing and prospective development projects, as a majority of development costs are financed with third party debt and capitalization rates related to rental properties, including multifamily apartment communities, are generally impacted by interest rates. Further, BBXRE is also continuing to observe a relatively limited number of potential investors interested in pursuing equity or debt financing for new development projects and the acquisition of stabilized rental properties, including multifamily apartment communities, which BBXRE believes is also a result of (i) higher interest rates, (ii) an overall decline in economic and market conditions, and (iii) the related impact of these factors on financial institutions, including banks, that have historically provided debt financing for these developments. In addition, BBXRE has continued to experience higher development and construction costs as a result of various factors, including (i) continued volatility in commodity and labor prices, (ii) the failure of various suppliers and subcontractors to perform according to their agreements with the Company, which has resulted in additional costs to supplement such suppliers and complete construction of its projects, and (iii) disruptions in supply chains for certain commodities and equipment, which has resulted in ongoing supply shortages of building materials, equipment, and appliances and delays in the completion of projects. In addition, BBXRE has continued to experience an increase in operating costs related to rental properties, including significantly higher property insurance costs, which increases costs incurred by development joint ventures while a property is owned by a joint venture and may also have a significant impact on the values at which these communities could be sold upon stabilization. Further, while the impact of these factors on BBXRE's multifamily apartment developments were previously being mitigated by significant growth in rental rates, BBXRE has observed a deceleration in the growth of rental rates and a contraction in rental rates in certain markets, which may also be further impacted over the next several years by the expected completion of the development of various new multifamily apartment communities in many of the markets in which BBXRE operates.

The above factors have negatively impacted (i) the timing and expected profitability of projects currently under development, with the significant increase in interest rates, development costs, and insurance costs and deceleration in the growth of rental rates more recently having an additional negative impact on the expected profitability of BBXRE's current projects, (ii) the commencement of new development opportunities and the anticipated profitability of such developments, and (iii) the sales values of multifamily apartment communities, which are also being adversely impacted by a decline in the number of potential purchasers and a deterioration in net operating income as a result of inflationary pressures and decelerating rental growth and may also be adversely impacted by an increase in capitalization rates. These factors are adversely impacting BBXRE's results of operations, cash flows, and financial condition and may have a material adverse impact on BBXRE in future periods, particularly if debt and equity financing is not available for new projects or is only available on less attractive terms.

As previously disclosed, BBXRE continues to expect a significant decline in its operating results in 2024 and over the next several years as compared to recent years based on its current pipeline of investments, which reflects, among other things, (i) the accelerated monetization of certain investments into 2021 and 2022 as a result of favorable market conditions, (ii) the temporary delay of the commencement of new development projects in 2020 due to the COVID-19 pandemic which resulted in a relative decline in expected monetization of investments in 2024, (iii) a decrease in the number of potential development opportunities which meet its investment criteria which will result in a decline in fee income recognized by the Altman Companies from new development projects, and (iv) increased operating losses from the Altman Companies as a result of lower fees from development projects and higher costs related to the completion of its existing projects. Further, while the Altman Companies expects to complete the construction of several multifamily apartment communities in 2024 and such projects would typically be expected to be stabilized and sold between 2025 and 2026, the timing and profits related to the sale of these communities is uncertain.

While there is no assurance that it will be successful in doing so, BBXRE remains focused on the sourcing and deployment of capital in investments in new development opportunities where supported by market conditions, including (i) continuing to pursue certain investment opportunities in multifamily rental apartment communities through the Altman Companies in spite of a limited pipeline of investments which meet its investment criteria and (ii) investing in the development of warehouse and logistics facilities through BBX Logistics. However, due to the expected life cycle of these developments, which generally involve the monetization of an investment approximately three to four years following the commencement of the development, BBXRE does not expect that its operating results will significantly benefit from these efforts in the near term. Further, as described above, higher than anticipated interest rates and capitalization rates, increases in development costs, and any decline in economic and market conditions may adversely impact the costs and availability of debt and equity capital and reduce the number of development projects meeting BBXRE's investment criteria, and adversely impact BBXRE's plans to deploy capital in investments in new development opportunities, particularly investments in the development of multifamily apartment communities. In addition, while BBX Logistics has recently been more successful in identifying potential development opportunities which BBXRE believes meet its investment criteria, there are material risks related to these types of developments, particularly in light of the fact that BBXRE is pursuing the development of new asset types.

The Altman Companies and Related Investments

Business Update

As previously disclosed, economic and market conditions have negatively impacted the Altman Companies' operations. In particular, the Altman Companies has observed a deceleration in the growth of rental rates at its developments, as well as a contraction in rental rates in certain markets, and a relative slowdown in investor demand for multifamily apartment communities, both of which have a negative impact on the estimated sale values of multifamily apartment communities. Further, the Altman Companies has observed a decline in the availability of debt and equity capital for new multifamily apartment developments and a decrease in the number of potential development projects which meet its investment criteria. The Altman Companies believes that these conditions are primarily a result of higher interest rates, a decline in economic and market conditions, and increases in development costs. Although the Altman Companies had previously observed indications of a potential increase in capitalization rates as compared to its underwriting estimates for various projects as a result of interest rates, it has more recently seen indications of a reversal of the previously observed increase based on sales transactions in the market and a more recent decline in long-term interest rates.

With respect to its existing communities under development, while the Altman Companies' development budgets for these projects contemplated increases in commodity and labor prices, the Altman Companies has continued to experience significant volatility in development costs, including (i) higher than anticipated interest costs related to debt financing, (ii) unanticipated increases in commodities costs, and (iii) delays in the timing of the completion of projects. Further, Altman Builders has been impacted by the failure of certain subcontractors to perform pursuant to their construction contracts with Altman Builders, which has resulted in unforeseen costs related to the completion of certain projects and a significant decline in the expected general contractor profits related to such projects. The recognition of losses on various construction contracts have had a significant negative impact on Altman Builders' results of operations during the six months ended June 30, 2024. While the Altman Companies previously anticipated that the impact of higher development costs on the profits expected to be earned from the Company's investment in the managing member for these developments would be offset to some extent by demand for multifamily housing and higher rental rates resulting from inflationary factors, these expectations were moderated in light of (i) higher interest rates, (ii) potential decreases in investor demand and volatility in capitalization rates, which may negatively impact the values at which these communities could be sold upon stabilization and the timing of such sales, (iii) the deceleration in the growth of rental rates at its developments, as well as a decline in rental rates in certain markets, and (iv) continued inflationary pressures (including significant increases in costs such as property insurance, that are outpacing current growth in rental rates) negatively impacting both the operating results of these communities and the values at which these communities could be sold. Further, the current deceleration in the growth of rental rates and the contraction of rental rates in certain markets may also be further impacted over the next several years by the expected completion of the development of new multifamily apartment communities by others in many of the markets in which the Altman Companies operates.

A decline in the availability, as well as increases in the cost of, debt and equity capital for new development opportunities, and uncertainty in the overall economy and compression in the profits expected to be earned from new developments has increased the risk that the Altman Companies will not be able to identify equity and/or debt financing on acceptable terms, or at all, even if potential development opportunities that meet its investment criteria are identified.

As previously discussed, economic and market conditions are highly uncertain as a result of various factors, including inflationary pressures and sustained higher interest rates. An economic recession resulting from these factors could ultimately have a significant impact on rental rates, occupancy levels, and rental receipts, including an increase in tenant delinquencies and/or requests for rent abatements. These effects would impact the amount of rental revenues generated from the multifamily apartment communities managed by the Altman Companies through a joint venture, the extent of management fees earned by the Altman Companies, and the ability of the related joint ventures to stabilize and successfully sell such communities. Furthermore, a decline in rental revenues at developments sponsored by the Altman Companies could require it, as the sponsor and managing member, to fund operating shortfalls in certain circumstances. In addition, as discussed above, the increases in costs of developing and operating multifamily apartment communities, including, but not limited to, increases in commodity prices, labor prices, and property insurance costs, could also have an adverse impact on market values and the Altman Companies' operating results. If there is a significant adverse impact on real estate values as a result of higher interest rates, lower rental revenues, higher capitalization rates, or otherwise, the joint ventures sponsored by the Altman Companies may be unable to sell their respective multifamily apartment developments within the time frames previously anticipated and/or for the previously forecasted sales prices, if at all, which may impact (i) the profits expected to be earned by BBXRE from its investment in the managing member of such projects and (ii) the ability of the joint ventures to repay or refinance construction loans on such projects and could also result in the recognition of impairment losses related to BBXRE's investment in such projects. All of these factors could result in increased operating losses at the Altman Companies, the recognition of impairment losses by BBXRE and/or the Altman Companies related to their current investments, and the recognition of impairment losses related to BBXRE's investment in the Altman Companies, including the goodwill recognized by the Company in connection with the consolidation of the Altman Companies.

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Active Developments Sponsored by the Altman Companies

As of June 30, 2024, BBXRE had investments in seven active developments sponsored by the Altman Companies that are accounted for under the equity method of accounting, which are summarized as follows (dollars in thousands):

Project	Location	Apartment Units	Project Status at June 30, 2024	Carrying Value at June 30, 2024
Altis Grand Central	Tampa, Florida	314	Stabilized - 95% Occupied	\$ 604
Altis Lake Willis Phase 1	Orlando, Florida	329	Under Construction - Expected Completion in 2024	7,404
Altis Lake Willis Phase 2	Orlando, Florida	230	Under Construction - Expected Completion in 2024	3,502
Altis Grand at Suncoast	Lutz, Florida	449	Under Construction - Expected Completion in 2024	11,652
Altis Blue Lake	West Palm Beach, Florida	318	Under Construction - Expected Completion in 2024	4,953
Altis Santa Barbara	Naples, Florida	242	Under Construction - Expected Completion in 2024	7,520
Altis Twin Lakes	Orlando, Florida	346	Under Construction - Expected Completion in 2025	6,165

As a result of the Company consolidating the managing members of development joint ventures sponsored by the Altman Companies, the carrying value of the Company's investments in real estate joint ventures included in the table above includes investments that are owned by BBXRE and noncontrolling interests in the respective joint ventures, including those owned by Mr. Altman.

In addition to the above unconsolidated developments, BBXRE consolidates the Altis Grand Kendall joint venture (previously referred to as the Altra Kendall joint venture), which is developing a planned 342-unit multifamily apartment community in Kendall, Florida. Construction of the community has commenced and is expected to be substantially completed in 2025. As of June 30, 2024, the Company's statement of financial condition includes \$88.9 million of construction costs incurred that are included in real estate, a \$48.7 million balance on a construction loan facility with TD Bank, and \$35.7 million of noncontrolling interests related to the development.

Altis Grand Bay

In January 2024, BBXRE and the Altman Companies formed the Altis Grand Bay joint venture to obtain entitlements, fund predevelopment costs, and seek development financing for a potential 336-unit multifamily apartment community in Miami, Florida. In connection with the formation of the joint venture, the Company initially invested \$0.7 million in the joint venture in exchange for a 50% membership interest and assigned a purchase and sale agreement for the acquisition of land related to the development to the joint venture. Upon obtaining entitlements and sourcing development financing, including equity and debt financing, the joint venture currently expects to form a separate joint venture with third party investors to acquire and develop the land. However, there is no assurance that the venture will close on the land or be able to obtain entitlements or development financing for the development on acceptable terms, or at all, and the joint venture may be required to recognize losses related to predevelopment expenditures incurred if it does not proceed with the development.

BBX Logistics

Development Joint Ventures Sponsored by BBX Logistics

As of June 30, 2024, BBXRE had investments in three joint ventures sponsored by BBX Logistics that are accounted for under the equity method of accounting, which are summarized as follows (dollars in thousands):

Project	Location	Proposed Square Feet of Leasable Area Under Development	Project Status at June 30, 2024	Carrying Value at June 30, 2024
The Park at Delray	Delray, Florida	593,000	Acquired land in 2023. Obtained debt financing for first phase of development and commenced construction of the first building in the second quarter of 2024.	\$ 2,871
The Park at Lakeland	Lakeland, Florida	210,000	Acquired land and pursuing site plan approval. Expect to obtain debt financing and commence construction in late 2024/ early 2025.	1,220
The Park at Davie	Davie, Florida	180,000	Acquired land in July 2024. Pursuing site plan approval and expect to obtain debt financing and commence construction in late 2024 / early 2025.	881

Existing Development Joint Venture - The Park at Delray

In September 2023, BBX Logistics formed The Park at Delray joint venture, a joint venture with affiliates of PCCP, LLC. The joint venture acquired approximately 40 acres of land for the purpose of developing The Park at Delray, a logistics facility expected to be comprised of three buildings with a total of approximately 593,000 square feet of leasable area.

In April 2024, the joint venture closed on debt financing site development and the construction of the first building of the facility, and the venture commenced construction in the second quarter of 2024.

New Development Joint Venture - The Park at Lakeland

In January 2024, BBX Logistics formed The Park at Lakeland joint venture, a joint venture with affiliates of FRP Holdings, Inc. ("FRP"), for the purpose of developing a logistics facility and assigned a contract to acquire approximately 22.5 acres of land in Lakeland, Florida to the joint venture. In connection with the formation of the joint venture, the Company initially invested \$0.2 million in the administrative managing member of the joint venture, and the administrative managing member invested those proceeds in the joint venture in exchange for a 50% membership interest in the venture. In March 2024, the joint venture acquired the land expected to be developed into The Park at Lakeland. The joint venture currently expects to obtain site plan approval and debt financing for a portion of the expected total development costs and commence vertical construction later in 2024 depending on the receipt of required approvals. BBX Logistics currently expects to continue to contribute capital to the joint venture for predevelopment expenditures and land acquisition costs based on its current 50% membership interest in the venture and expects to have an investment of approximately \$1.3 million of capital in the administrative managing member for investment in The Park at Lakeland joint venture. Pursuant to the terms of the operating agreement for the joint venture, upon the origination of debt financing for the development and the commencement of vertical construction of the logistics facility, BBX Logistics and FRP will recapitalize the joint venture, which will result in the Company owning a 10% membership interest in the venture and FRP owning the remaining 90% of the joint venture. Thereafter, BBX Logistics, as the administrative managing member, will be entitled to receive 10% of the joint venture distributions until the administrative managing member and FRP receive their aggregate capital contributions. Subsequently, the administrative managing member will be entitled to receive an increasing percentage of the joint venture distributions based upon FRP realizing a specified return on its contributed capital. However, there is no assurance that the venture will be successful in obtaining debt financing for the development on acceptable terms, or at all and if such debt financing is not put in place, the Company may be required to contribute additional equity to the joint venture in order to fund development costs.

New Development Joint Venture - The Park at Davie

In March 2024, BBX Logistics formed The Park at Davie joint venture, a joint venture with affiliates of FRP for the purpose of developing a logistics facility and assigned a contract to acquire approximately 11.3 acres of land in Davie, Florida to the joint venture. In connection with the formation of the joint venture, the Company initially invested \$0.5 million in the administrative managing member of the joint venture, and the administrative managing member invested those proceeds in the joint venture in exchange for a 50% membership interest in the venture. In July 2024, the joint venture acquired the land expected to be developed into The Park at Davie, and in connection with the acquisition, the Company invested an additional \$11.9 million in the joint venture, increasing its investment in the joint venture to \$12.8 million. The joint venture currently expects to obtain site plan approval and debt financing for a portion of the expected total development costs and commence vertical construction later in 2024 or early 2025 depending on the receipt of required approvals. BBX Logistics currently expects to continue to contribute capital to the joint venture for predevelopment expenditures and land acquisition costs based on its current 50% membership interest in the venture. Pursuant to the terms of the operating agreement for the joint venture, upon the origination of debt financing for the development and the commencement of vertical construction of the logistics facility, BBX Logistics and FRP will recapitalize the joint venture, which will result in the Company owning a 20% membership interest in the venture and FRP owning the remaining 80% of the joint venture. Following the commencement of vertical construction and the recapitalization of the joint venture, the Company currently expects to have an investment of \$5.1 million of capital in the administrative managing member that will be invested in The Park at Davie joint venture based on the administrative managing member's 20% share of the currently estimated total development costs expected to be incurred by the joint venture and projected construction loan proceeds. Thereafter, BBX Logistics, as the administrative managing member, will be entitled to receive 20% of the joint venture distributions until the administrative managing member and FRP receive their aggregate capital contributions. Subsequently, the administrative managing member will be entitled to receive an increasing percentage of the joint venture distributions based upon FRP realizing a specified return on its contributed capital. However, there is no assurance that the venture will be successful in obtaining debt financing for the development on acceptable terms, or at all, and if such debt financing is not put in place, the Company may be required to contribute additional equity to the joint venture in order to fund development costs. Further, if the joint venture does not obtain site plan approval related to its proposed development plans, the Company may be required retain its increased investment in the venture for longer than anticipated, and the joint venture may not yield the anticipated economic benefits related to the development of the land, which may also result in the recognition of impairment losses related to the investment.

Beacon Lake Master Planned Development

BBXRE is the master developer of the Beacon Lake Community, a master planned community located in St. Johns County, Florida that is being developed in four phases and is expected to be comprised of 1,476 single-family homes and townhomes. As the master developer, BBXRE developed the land and common areas and sold finished lots to third-party homebuilders who are constructing single-family homes and townhomes. Other than in the case of the lots comprising Phase 4, which were sold to a homebuilder as undeveloped lots in 2021, the agreements pursuant to which BBXRE sold finished lots to homebuilders generally provided for a base purchase price that is paid to BBXRE upon the sale of the developed lots to the homebuilders and a contingent purchase price that is calculated as a percentage of the proceeds that the homebuilders receive from the sale of the completed homes. While an estimated amount of the contingent purchase price was recognized in BBXRE's revenues upon the sale of the lots to the homebuilders, the contingent purchase price is paid to BBXRE upon the closing of home sales by the homebuilders.

As of June 30, 2024, BBXRE had substantially completed its primary activities as the master developer of the Beacon Lake Community, including the development and sale of the 1,177 lots comprising Phases 1 through 3 of the community and the sale of the 299 undeveloped lots comprising Phase 4 in a bulk lot sale to a single homebuilder.

However, as discussed above, while BBXRE previously recognized revenues related to the contingent purchase price expected to be collected on lots sold to homebuilders in connection with the sale of such lots, BBXRE expects to continue to collect contingent purchase price from homebuilders upon the sale of homes by the homebuilders, and as of June 30, 2024, BBXRE had recognized contingent purchase price receivables totaling \$4.1 million related to the sale of lots in the Beacon Lake Community. The following table summarizes the status of the sale of homes by homebuilders on lots in Phases 1 through 3 previously sold by BBXRE to such homebuilders as of June 30, 2024:

	Phase 1	Phase 2		Phase 3	Total
		Single-family	Townhomes		
Lots sold to homebuilders	302	479	196	200	1,177
Homes closed	302	476	196	168	1,142
Homes remaining to close	—	3	—	32	35

With respect to the BBXRE's estimates of contingent purchase price on lots sold to homebuilders in many cases are based on executed contracts between the homebuilders and homebuyers, and BBXRE currently believes that it is probable that it will collect its estimated contingent purchase price receivables. However, if market factors result in a significant decline in demand and selling prices for single-family homes and/or a significant number of prospective home buyers forfeit deposits on executed contracts to purchase homes in the community, BBXRE's expected contingent purchase price due from homebuilders upon the sale of homes in the community would be negatively impacted and could result in the reversal of previously recognized revenues related to contingent purchase price receivables.

Single-Family Development Joint Ventures

In February 2021, BBXRE invested \$4.9 million in the Sky Cove South joint venture, which was formed to develop Sky Cove South at Westlake, a residential community expected to be comprised of 197 single-family homes in Loxahatchee, Florida. During the six months ended June 30, 2024 and 2023, BBXRE recognized \$0.6 million and \$1.4 million, respectively, in equity earnings from the joint venture. As of June 30, 2024, the joint venture had executed contracts to sell and closed on all of the 197 homes in the community.

Mixed Use Development

As of December 31, 2023, BBXRE had invested \$3.8 million as one of a number of investors in The Main Las Olas joint venture, which was formed to invest in the development of The Main Las Olas, a mixed-used project in downtown Fort Lauderdale, Florida that is comprised of an office tower with approximately 365,000 square feet of leasable area, a residential tower with approximately 341 units, and approximately 45,000 square feet of ground floor retail. Construction was completed during 2022, and as of December 31, 2023, the office tower, residential tower, and retail space were substantially leased.

In April 2024, the joint venture sold its ownership interests in the residential tower and a portion of the ground floor retail. As a result of that sale, during the three and six months ended June 30, 2024, BBXRE received a distribution of \$2.1 million from the joint venture and recognized \$1.6 million of equity earnings from the joint venture.

Results of Operations

Information regarding the results of operations for BBXRE is set forth below (in thousands):

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Sales of real estate inventory	\$ 629	4,445	(3,816)	1,953	6,217	(4,264)
Revenue from construction contracts	14,957	36,574	(21,617)	31,404	61,611	(30,207)
Real estate development and property management fees	1,734	2,636	(902)	4,000	4,247	(247)
Interest income	1,662	2,111	(449)	3,539	4,085	(546)
Other revenues	51	50	1	102	101	1
Total revenues	19,033	45,816	(26,783)	40,998	76,261	(35,263)
Cost of real estate inventory sold	—	959	(959)	321	1,537	(1,216)
Cost of revenue from construction contracts	15,432	38,129	(22,697)	35,638	62,318	(26,680)
Interest expense	30	35	(5)	59	46	13
Recoveries from loan losses, net	(247)	(2,507)	2,260	(824)	(3,107)	2,283
Impairment losses	218	—	218	218	—	218
Selling, general and administrative expenses	5,943	6,326	(383)	12,815	12,566	249
Total costs and expenses	21,376	42,942	(21,566)	48,227	73,360	(25,133)
Operating (loss) income	(2,343)	2,874	(5,217)	(7,229)	2,901	(10,130)
Equity in net earnings of unconsolidated real estate joint ventures	1,676	728	948	1,717	1,832	(115)
Gain on the consolidation of The Altman Companies	—	—	—	—	6,195	(6,195)
Gain on the consolidation of investment in real estate joint ventures	—	27	(27)	—	10,882	(10,882)
Other income (expense)	247	649	(402)	688	344	344
(Loss) income before income taxes	\$ (420)	4,278	(4,698)	(4,824)	22,154	(26,978)

BBXRE recognized a loss before income taxes of \$(0.4) million during the three months ended June 30, 2024 compared to income before income taxes of \$4.3 million during the same 2023 period. The decrease of \$(4.7) million is primarily due to the following:

- A decrease in net profits from the sale of lots to homebuilders at the Beacon Lake Community development, as BBXRE sold no developed lots during the 2024 period compared to 15 developed lots during the 2023 period;
- A decrease in recoveries from loan losses primarily attributable to lower settlements with guarantors of previously charged-off loans during the 2024 period compared to the 2023 period;
- Lower interest income; and
- A decrease in other income primarily due to lower fair value adjustments related to the interest rate cap associated with the construction loan for the development of Altis Grand Kendall; partially offset by
- A lower net loss related to the Altman Companies in 2024, which reflects lower net losses on construction contracts and lower general and administrative expenses as a result of cost reduction initiatives, partially offset by lower real estate development and property management fees; and
- A net increase in equity in net earnings of unconsolidated real estate joint ventures primarily due to The Main Las Olas joint venture's sale of its residential tower in 2024.

BBXRE recognized a loss before income taxes of \$(4.8) million during the six months ended June 30, 2024 compared to income before income taxes of \$22.2 million during the same 2023 period. The decrease of \$(27.0) million is primarily due to the following:

- The recognition of \$17.1 million of total non-cash remeasurement gains related to the Company's consolidation of the Altman Companies and related real estate joint ventures during the 2023 period;
- A higher net loss related to the Altman Companies in 2024, which includes the impact of higher net losses from construction contracts during the 2024 period, which primarily reflects the impact of the failure of certain subcontractors to perform pursuant to their construction contracts with Altman Builders at certain construction projects and resulting unforeseen costs, and lower real estate development and management fees, partially offset by lower general and administrative expenses as a result of cost reduction initiatives;
- A decrease in net profits from the sale of lots to homebuilders at the Beacon Lake Community development, as BBXRE sold 6 developed lots during the 2024 period compared to 30 developed lots during the 2023 period;
- A decrease in recoveries from loan losses primarily attributable to lower settlements with guarantors of previously charged-off loans during the 2024 period compared to the 2023 period; and
- Lower interest income; partially offset by
- An increase in other income primarily due to higher fair value adjustments related to the interest rate cap associated with the construction loan for the development of Altis Grand Kendall; and
- Higher general and administrative costs primarily related to BBX Logistics.

BBX Sweet Holdings Reportable Segment

Segment Description

BBX Sweet Holdings is engaged in the ownership and management of operating businesses in the confectionery industry, including (i) IT'SUGAR, a specialty candy retailer in over 100 retail locations in the United States and one location in Canada whose products include bulk candy, candy in giant packaging, and licensed and novelty items, and (ii) Las Olas Confections and Snacks, a manufacturer and wholesaler of chocolate and other confectionery products.

Overview

IT'SUGAR

As of June 30, 2024, IT'SUGAR had over 100 retail locations across the United States and Canada.

As previously disclosed, IT'SUGAR is focused on expanding and improving the quality of its store portfolio by:

- Improving the quality and remaining lease maturities of its store portfolio by extending the lease terms of its existing successful retail locations and closing retail locations where appropriate or where required by the terms of the lease;
- Evaluating additional retail locations in targeted markets which it believes it can opportunistically capitalize on the availability of retail space and a decline in rental rates for retail space generally in certain markets; and
- Opening “pop up” retail locations in select markets in order to test the markets for the viability of potential longer-term locations.

Recent activities in IT'SUGAR's portfolio of retail locations include:

- During the six months ended June 30, 2024, IT'SUGAR (i) relocated stores in Miami, Florida and Nashville, Tennessee into larger “candy department store” locations and (ii) opened new retail locations in Mercedes, Texas and McAllen, Texas, (iii) relocated a store at an existing location in Grapevine, Texas, and (iv) closed four retail locations.
- IT'SUGAR executed lease agreements for various new locations expected to open in 2024, and agreements to extend the lease terms of various locations.

Over the next 2 to 4 years, the initial terms of a significant number of IT'SUGAR's lease agreements for its retail locations are scheduled to expire, including lease agreements for certain large format “pop-up” retail locations in Chicago, Illinois, Manhattan, New York, and Boston, Massachusetts. Although IT'SUGAR has the right to extend certain leases that are scheduled to expire, IT'SUGAR is seeking to reduce the impact of upcoming lease expirations by, among other things, (i) negotiating with the landlords to extend the term of the leases, (ii) evaluating alternative retail locations within the same markets, and (iii) evaluating new locations where rental rates and landlord contributions to fund construction costs are generally more favorable. Although IT'SUGAR more recently opened two new “candy department stores” in 2024, IT'SUGAR is currently focused on identifying smaller format locations where landlords will agree to provide allowances to IT'SUGAR to fund a significant portion of IT'SUGAR's costs to open the locations and where the initial net capital investments are less than the investments required for IT'SUGAR's traditional retail locations and “candy department stores.”

During the three and six months ended June 30, 2024, IT'SUGAR's trade sales were \$29.5 million and \$56.8 million, respectively, a decrease of \$(2.3) million and \$(2.6) million, over the respective comparable periods in 2023. The decrease in trade sales reflects lower comparable store sales, partially offset by the impact of sales generated in IT'SUGAR's new and expanded store locations. During the three and six months ended June 30, 2024, IT'SUGAR's comparable store sales, which represent IT'SUGAR's sales at its retail locations excluding both the impact of e-commerce sales and changes in its store portfolio, decreased by approximately 14.2% and 13.5% as compared to the respective comparable period in 2023. IT'SUGAR believes the decline in comparable store sales is attributable to the impact of current economic conditions on consumer demand, as it observed a drastic decline in consumer demand commence in the second quarter of 2023 that has continued through the current time, and the duration of such continued decline remains uncertain due to uncertainty related to economic conditions, including whether a deceleration in inflationary conditions and lower interest rates will improve consumer demand for discretionary products. In response to these conditions, IT'SUGAR is implementing various measures intended to mitigate the impact of lower consumer demand, including (i) expanding operating hours, (ii) focusing on the sale of higher margin products, (iii) offering selective promotional discounts on products in an effort to appeal to increasingly cost conscious consumers, and (iv) increasing its average dollars per sales transaction through promotions and small dollar items intended to be added to the existing consumer basket, although there is no assurance that such efforts will be successful.

As a result of inflationary trends and disruptions in global supply chains, IT'SUGAR experienced significant increases in the cost of inventory and freight, and over the past several years, IT'SUGAR implemented significant increases in the prices of its products in an effort to maintain its selling margins. However, commencing in 2023, IT'SUGAR experienced compression in its selling margins as the pace of increases in the prices of its products was not possible based on a decline in consumer demand. IT'SUGAR has more recently observed a decline in the cost of inventory and freight related to certain of its products and is focusing on shifting its product and sales mix towards its higher margin products, both of which IT'SUGAR believes should result in improved selling margins in future periods and partially offset the impact of a decline in consumer demand. However, in light of the general volatility in costs over the past several years, there is no assurance that the current decline in costs will be sustained. Further, IT'SUGAR believes that customers appear to be more sensitive to the price increases that were implemented in recent years, which may be contributing to the decline in demand. Accordingly, it may be necessary to strategically decrease the price of certain products in order to increase consumer demand, which would negatively impact IT'SUGAR's selling margins. In addition, IT'SUGAR has begun to adjust the pace at which it is replenishing inventory in light of the slowdown in store sales and general economic uncertainty, although it must closely manage the extent to which it adjusts its replenishment in an effort to ensure that lower inventory levels do not have a negative impact on store sales.

IT'SUGAR has continued to be impacted by staffing issues and has experienced an increase in payroll costs associated with hiring and maintaining staffing at both its retail locations and its corporate offices. Further, like the Company's other reportable segments, IT'SUGAR has experienced a significant increase in insurance costs, including in the cost of property insurance upon the renewal of its policies, and these increases are expected to continue.

Las Olas Confections and Snacks

During the three and six months ended June 30, 2024 and 2023 Las Olas Confections and Snacks' revenues increased (decreased) by 0.9% and (17.8%) as compared to the same 2023 respective periods which reflects the impact of a product recall in the 2023 period which lowered net sales during such period and lower demand from customers in the 2024 period as compared to the 2023 period. However, during the six months ended June 30, 2024, Las Olas Confections and Snacks sold one of its product lines to a third party and recognized a net gain on sale of \$0.5 million which is included in other income in the table below.

Results of Operations

Information regarding the results of operations for BBX Sweet Holdings is set forth below (dollars in thousands):

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Trade sales	\$ 31,892	35,013	(3,121)	62,136	67,738	(5,602)
Cost of trade sales	(20,674)	(21,902)	1,228	(40,442)	(42,448)	2,006
Gross margin	11,218	13,111	(1,893)	21,694	25,290	(3,596)
Interest expense	(573)	(375)	(198)	(1,043)	(707)	(336)
Selling, general and administrative expenses	(15,585)	(15,217)	(368)	(30,977)	(29,758)	(1,219)
Total operating losses	(4,940)	(2,481)	(2,459)	(10,326)	(5,175)	(5,151)
Other income	145	24	121	646	224	422
Foreign exchange loss	15	(18)	33	(1)	(32)	31
Loss before income taxes	\$ (4,780)	(2,475)	(2,305)	(9,681)	(4,983)	(4,698)
Gross margin percentage	35.17%	37.45%	(2.28)%	34.91%	37.34%	(2.43)%
SG&A as a percent of trade sales	48.87%	43.46%	5.41%	49.85%	43.93%	5.92%
Expenditures for property and equipment	\$ 2,018	3,098	(1,080)	3,557	8,167	(4,610)
Depreciation and amortization	\$ 2,052	2,282	(230)	3,889	4,084	(195)
Debt accretion and amortization	\$ (77)	(17)	(60)	14	(11)	25
Pre opening and closing expenses	\$ 191	167	24	503	632	(129)
ASC 842 straight line rent adjustments	\$ (25)	2	(27)	16	183	(167)

BBX Sweet Holdings' loss before income taxes for the three months ended June 30, 2024 was \$(4.8) million compared to \$(2.5) million during the same 2023 period. The increase in the loss before income taxes was primarily due to the following:

- An increase in the operating loss incurred by IT'SUGAR primarily as a result of (i) lower sales volume, which reflects a decline in comparable store sales offsetting the impact of sales from new and expanded store locations and (ii) higher occupancy and payroll expenses, which includes the impact of new and expanded store locations opened in 2023; partially offset by
- A decrease in the operating loss incurred by Las Olas Confections and Snacks in the 2024 period as compared to 2023, which primarily reflects a customer return related to a product recall in 2023.

BBX Sweet Holdings' loss before income taxes for the six months ended June 30, 2024 was \$(9.7) million compared to \$(5.0) million during the same 2023 period. The increase in the loss before income taxes was primarily due to the factors discussed above related to the three months ended June 30, 2024 compared to the same 2023 period, partially offset by the recognition of a \$0.5 million gain by Las Olas Confections and Snacks upon the sale of one of its product lines during the six months ended June 30, 2024.

Renin Reportable Segment

Segment Description

Renin is engaged in the design, manufacture, and distribution of sliding doors, door systems and hardware, and home décor products and operates through its headquarters in Canada and manufacturing and distribution facilities in the United States and Canada. In addition to its own manufacturing activities, Renin also sources various products and materials from China, Brazil, and certain other countries.

Renin's products are sold through three channels in North America: retail, commercial, and direct installation in the greater Toronto area.

Business Update

During the six months ended June 30, 2024, Renin's sales decreased by 8.3% as compared to the same period in 2023, which primarily reflects a decrease in sales in its retail channel. Renin's retail channel comprised approximately 57% of its gross sales for the 2024 period as compared to approximately 69% for the same period in 2023. Renin's sales volumes in the first six months of 2024 have continued the decline that Renin experienced in 2023. With respect to the decline in customer demand, Renin continues to believe that the decline is primarily attributable to (i) the impact of price increases, rising interest rates, and overall inflationary pressures on consumer behavior and (ii) efforts by retailers to rationalize their inventory levels in response to slowing consumer demand. In addition, Renin believes that the decline in sales may also be attributable to changes in consumer preferences related to certain of its products. Further, as a result of its initiatives to improve its gross margin percentages on products that historically have had low margins, as further described below, Renin has experienced a decrease in sales to certain customers that are pursuing alternative sources of products in response to price increases implemented by Renin. As a result of these factors, Renin has been actively seeking to increase its market share by expanding its product mix with new and existing customers, and it is also engaged in efforts to update its product mix with existing customers in an effort to address changes in consumer preferences. However, there is no assurance that these efforts will mitigate the impact of the current decline in customer demand for its existing products on its sales volumes.

While sales declined in the 2024 periods as compared to the comparable periods in 2023, Renin's gross margins improved from \$1.9 million and \$3.9 million during the three and six months ended June 30, 2023, respectively, to \$3.2 million and \$7.8 million during the three and six months ended June 30, 2024, respectively, reflecting an increase in Renin's gross margin percentages from 7.9% and 7.5% during the three and six months ended June 30, 2023, respectively, to 14.4% and 16.2% during the comparable 2024 periods. The improvement in Renin's gross margin percentages reflects various factors, including price increases and a decrease in rates for shipping products from overseas. In addition, the improvement reflects initiatives implemented by Renin in an effort to reduce the costs associated with its manufacturing and distribution facilities, including (i) the transfer of a substantial portion of its operations in its facility located in Montreal, Canada to its other manufacturing and distribution facilities in the United States and Canada and (ii) the exit from its primary third-party logistics and warehousing facility in January 2023. In addition, as a result of the continued decline in customer demand, Renin has been engaged in other efforts to improve its gross margin percentages, including (i) negotiating decreases in the cost of certain of its raw materials and products from vendors and (ii) identifying products that historically have had low margins and selectively implementing price increases for such products or discontinuing or modifying the products. Renin is also continuing to evaluate additional initiatives to reduce costs, both in its manufacturing and distribution facilities and in its corporate headquarters. As part of these initiatives, Renin recently amended the agreement pursuant to which it leases its facility located in Montreal, Canada to accelerate the expiration of the lease term to April 2025, and Renin expects to cease all of its remaining operations in the facility prior to the expiration of the lease term.

Although Renin has experienced improved operating results in 2024 as a result of the above factors, lower customer demand, supply chain disruptions, and Renin's efforts to mitigate inflationary cost pressures have had and may continue to have negative impacts on Renin's operations. In particular, while Renin has thus far observed improvements in its gross margin percentages as a result of its efforts to reduce its costs in its manufacturing and distribution facilities, current and future efforts to reduce costs, including headcount reductions, could have a negative impact on the execution of its ongoing operations, including resource constraints and unforeseen disruptions resulting from operational changes. Further, following a significant increase in its inventory levels as a result of supply chain disruptions, which negatively impacted Renin's liquidity, Renin is actively rationalizing and lowering its inventory levels in order to reduce its investment in working capital; however, such efforts could disrupt its ability to fulfill customer orders. In addition, the negotiation of increased prices with customers increases the risk that customers will pursue alternative sources for Renin's products, which has resulted in a decline in sales volumes to certain customers and may result in Renin losing customers or require it to maintain or lower prices in an effort to retain customers. Additionally, while Renin has been able to implement price increases with many of its customers in response to inflationary pressures, particularly in situations where such increases could be supported by Renin's costs for procuring and manufacturing such products, Renin has more recently been required by certain of its customers to reduce its prices where there have been observable declines in freight costs and/or there are indications that inflationary pressures are impacting consumer behavior in their retail channel and price reductions may help stimulate consumer demand. While Renin has been seeking to diversify its supply chain and limit its exposure to specific geographic locations and suppliers, supply chain delays and the scarcity of products and raw materials have sometimes made this difficult. In addition, although increased diversification in Renin's supply chains may decrease Renin's exposure to supply chain disruptions, Renin's efforts to diversify its supply chain may also negatively impact its product margins, as alternative sources of raw materials and products may not be the most cost effective sources.

Renin is also negatively impacted by higher interest rates, as its borrowings bear interest at variable rates.

Amendment and Restatement of TD Bank Credit Facility

On March 13, 2024, Renin's TD Bank Credit Facility was amended and restated in its entirety to provide Renin with (i) an asset-backed revolving line of credit with a maximum availability of up to \$30.0 million, subject to available collateral in the form of eligible accounts receivable, inventory, property, and equipment, and (ii) a term loan with an initial principal balance of \$3.4 million. The proceeds from the amended and restated facility and approximately \$3.3 million of equity contributions from BBX Capital were utilized to repay the existing facility with TD Bank. Under the terms of the amended and restated credit facility, the outstanding balance of the asset-backed revolving line of credit matures on March 13, 2026, while the outstanding balance of the term loan must be repaid in equal quarterly installments of \$0.8 million on May 31, 2024, August 30, 2024, November 30, 2024, and February 28, 2025. The amended and restated credit facility is subject to customary covenants for asset-backed revolving lines of credit, including the following financial covenants: (i) a fixed charge coverage ratio commencing in January 2025, (ii) restrictions on capital expenditures, (iii) a requirement for Renin to maintain \$3.0 million in excess availability between the outstanding balance under the revolving line of credit and the calculated availability under the facility based on the advance rates applicable to eligible collateral under the facility, and (iv) ongoing reporting and appraisals related to eligible collateral. In addition, Renin must meet certain minimum levels of specified operating results through December 2024.

See Note 8 of the Company's condensed consolidated financial statements included in Part 1 of this report for additional information with respect to the amended and restated TD Bank Credit Facility.

As of June 30, 2024, Renin had excess availability of approximately \$5.8 million under the revolving line of credit based on its eligible collateral and availability under the credit facility of \$2.8 million due to the minimum excess availability requirement of \$3.0 million, and Renin was in compliance with all financial covenants under the credit facility. However, adverse events, including, but not limited to supply chain disruptions, loss of sales from one or more major customers, or a recession could impact its ability to remain in compliance with its financial covenants and the extent of availability under the TD Bank credit facility in future periods. If Renin is unable to maintain compliance with its debt covenants or obtain waivers if it is not in compliance with such covenants, Renin will no longer be able to access its revolving line of credit, may have to repay all or a portion of its borrowings under the facility prior to the scheduled maturity dates, and/or provide additional collateral for such borrowings, any of which would have a material adverse effect on the Company's liquidity, financial position, and results of operations.

Results of Operations

Information regarding the results of operations for Renin is set forth below (dollars in thousands):

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Trade sales	\$ 22,435	24,344	(1,909)	47,999	52,320	(4,321)
Cost of trade sales	(19,203)	(22,415)	3,212	(40,221)	(48,422)	8,201
Gross margin	3,232	1,929	1,303	7,778	3,898	3,880
Interest expense	(567)	(1,152)	585	(1,402)	(2,273)	871
Selling, general and administrative expenses	(3,318)	(3,996)	678	(7,160)	(7,843)	683
Total operating loss	(653)	(3,219)	2,566	(784)	(6,218)	5,434
Foreign exchange gain (loss)	220	(470)	690	707	(502)	1,209
Income (loss) before income taxes	\$ (433)	(3,689)	3,256	(77)	(6,720)	6,643
Gross margin percentage	14.41%	7.92%	6.49%	16.20%	7.45%	8.75%
SG&A as a percent of trade sales	14.79%	16.41%	(1.62)%	14.92%	14.99%	(0.07)%
Expenditures for property and equipment	\$ 168	457	(289)	378	741	(363)
Depreciation and amortization	\$ 832	878	(46)	1,672	1,745	(73)
Debt accretion and amortization	\$ 214	(51)	265	224	(9)	233

Renin's loss before income taxes for the three months ended June 30, 2024 was \$(0.4) million compared to a loss before income taxes of \$(3.7) million during the same 2023 period. The improvement in Renin's results of operations was primarily due to the following:

- An improvement in Renin's gross margin and gross margin percentage as a result of various factors, including price increases, a decrease in rates for shipping products from overseas, and various initiatives implemented by Renin in an effort to reduce costs associated with its manufacturing and distribution facilities, including the transfer of a substantial portion of its operations in its facility located in Montreal, Canada to its other manufacturing and distribution facilities in the United States and Canada;
- A decrease in interest expense primarily due to a reduction in Renin's average outstanding debt balances and lower interest rates associated with the amendment and restatement of Renin's TD Bank Credit Facility in March 2024;
- A decrease in selling, general and administrative expenses primarily due to lower compensation expense associated with a reduction in headcount and lower severance expenses; and
- An increase in foreign currency exchange gains due to the impact of changes in foreign exchange rates between the U.S. dollar and Canadian dollar.

Renin's loss before income taxes for the six months ended June 30, 2024 was \$(0.1) million compared to a net loss of \$(6.7) million during the same 2023 period. The decrease was primarily due to the items discussed above.

Other

Other in the Company's segment information includes its investments in other operating businesses, including a restaurant located in South Florida that was acquired through a loan foreclosure and an entity which provides risk management advisory services to the Company and its affiliates and previously acted as an insurance agent for the Company, its affiliates, and other third parties. Through January 2024, the Company provided risk management advisory services to BVH. However, in January 2024, BVH was acquired by Hilton Grand Vacations Inc. ("HGV"), and although the Company temporarily provided transition services related to risk management to BVH and HGV, the Company no longer is providing such risk management advisory services.

During the three and six months ended June 30, 2024, the Company recognized (loss) income before income taxes related to these other businesses of (\$0.3) million and \$0.1 million, respectively, compared to income of \$14,000 and \$2.7 million during the three and six months ended June 30, 2023, respectively. In February 2023, the Company's operating business which provides risk management advisory services to the Company and its affiliates sold substantially all of the assets of its insurance agency business and recognized a gain upon such sale during the six months ended June 30, 2023.

Reconciling Items and Eliminations

Reconciling items and eliminations in the Company's segment information include the following:

- BBX Capital's corporate general and administrative expenses;
- Interest income on the note receivable from BVH through January 2024;
- Interest income on interest-bearing cash accounts; and
- Interest expense capitalized in connection with the development and construction of real estate.

Corporate General and Administrative Expenses

BBX Capital's corporate general and administrative expenses for the three and six months ended June 30, 2024 were \$6.9 million and \$14.2 million compared to \$7.1 million and \$14.1 million during the three and six months ended June 30, 2023. BBX Capital's corporate general and administrative expenses consist of the costs of various support functions, including executive compensation, legal, accounting, human resources, investor relations, and executive offices.

Interest Income

BBX Capital's interest income for the three and six months ended June 30, 2024, respectively, was \$0.2 million and \$0.4 million, respectively, compared to (\$0.4) million and \$0.1 million, for the three and six months ended June 30, 2023, respectively. The interest income during the three and six months ended June 30, 2024 includes (i) \$0 and \$0.1 million, respectively, of interest income on its note receivable from BVH, (ii) \$0.5 million and \$0.9 million, respectively, of interest income from short-term investments, partially offset by (iii) the elimination of \$0.3 million and \$0.6 million, respectively, elimination of interest income on intercompany loans provided to and among the Company's subsidiaries, including IT'SUGAR and Renin. The interest income during the three and six months ended June 30, 2023 includes (i) a \$0.9 million reduction in interest income associated with the \$15.0 million discounted prepayment of BBX Capital's note receivable from Bluegreen Vacations in May 2023, (ii) the elimination of \$0.2 million and \$0.5 million, respectively, of interest income on intercompany loans provided to and among the Company's subsidiaries, including IT'SUGAR and Renin, (iii) \$0.6 million and \$1.4 million, respectively, of interest income on the Bluegreen note receivable and, (iv) \$0.1 million and \$0.1 million, respectively, of interest income from short-term investments.

Impairment Considerations

As described in the consolidated financial statements included in the Company's 2023 Annual Report, the Company tests goodwill related to its reporting units, including The Altman Companies, IT'SUGAR, and Renin, for potential impairment on an annual basis as of December 31 or during interim periods if impairment indicators exist. As of December 31, 2023, the Company estimated the fair values of its reporting units and determined that the goodwill related to these reporting units was not impaired. The Company's assessment of these reporting units for impairment, including the determination of the estimated fair value of these reporting units, required the Company to make estimates based on facts and circumstances as of December 31, 2023 and assumptions about current and future economic and market conditions. These assumptions included, but were not limited to, (i) the implementation of the long-term growth strategies for these companies, (ii) a recovery in the market environment in which these companies operate and their ability to execute on their business plans, (iii) a recovery in sales volumes and gross margins over time, and (iv) that there will not be a material permanent decline in demand for their products in the future.

For the six months ended June 30, 2024, the Company considered the negative factors discussed in this report to assess whether it should test goodwill associated with its reporting units on an interim basis. In particular, while the Altman Companies recently recognized losses on construction contracts related to the failure of certain subcontractors to perform pursuant to their contracts with Altman Builders, these issues related to specific projects that commenced during a period in which there was limited availability of subcontractors, and Altman Builders has not experienced similar losses or issues on its two most recently commenced construction projects. Similarly, while the recent decline in consumer demand has negatively impacted the Company's outlook for Renin and IT'SUGAR in the near term, the expected duration of the recent decline in customer demand is uncertain, and both companies have taken steps to mitigate the impacts of a decline in consumer demand. In particular, Renin has, as a result of those steps, significantly improved its gross margin percentage, and it is focused on updating its product assortment in an effort to appeal to changing consumer preferences and stimulate consumer demand for its products. Similarly, IT'SUGAR is implementing various measures intended to mitigate the impact of lower consumer demand, including (i) expanding operating hours, (ii) focusing on the sale of higher margin products, (iii) offering selective promotional discounts on products in an effort to appeal to increasingly cost conscious consumers, and (iv) increasing its average dollars per sales transaction through promotions and small dollar items intended to be added to the existing consumer basket. Because the expected negative impact of market conditions (including the duration of the recent decline in customer demand) on these businesses is uncertain and the Company's prior estimate of the fair values of its reporting units were in excess of their respective carrying amount, the Company has currently concluded that there were no impairment indicators as of June 30, 2024.

However, as there is significant uncertainty in the (i) current economic environment and (ii) duration of any continued decline in consumer demand, the estimates and assumptions in the Company's estimated value of its reporting units may change over time, which may result in the recognition of impairment losses related to the Company's reporting units in a future period that would be material to the Company's financial statements. Changes in assumptions that could materially impact the Company's estimates related that could result in the recognition of impairment losses in future periods include, but are not limited to, (i) a further decline in market valuations resulting in a further increase to the discount rate applied in the income approach and/or a decrease in the multiple of earnings applied in the market approach, (ii) a material longer term or permanent decline in demand for the products and/or product margins of the Company's reporting units, including indications that the decline in sales related to Renin and/or IT'SUGAR related to a permanent change in consumer preferences for their products rather than a near to medium decline attributable to market conditions, and (iii) the inability of the Altman Companies in future periods to meet its targeted number of development projects expected to be originated by it on an annual basis or its failure to achieve expected profits and fee income from such projects.

Provision for Income Taxes

The Company estimates its effective annual income tax rate on a quarterly basis based on current and forecasted operating results for the annual period and applies the estimated effective income tax rate to its income or loss before income taxes reduced by net income or loss attributable to noncontrolling interests in joint ventures taxed as partnerships. In addition, the Company recognizes taxes related to unusual or infrequent items, such as the gains on the consolidation of the Altman Companies and real estate joint ventures in 2023, as discrete items in the interim period in which the event occurs.

The Company's effective income tax rate for the three and six months ended June 30, 2024 was approximately 19% and 18%, respectively, and was different than the expected federal income tax rate of 21% due to forecasted operating losses offset by the impact of nondeductible executive compensation, valuation allowances related to losses incurred in a foreign jurisdiction, and state income taxes. The Company's effective income tax rate for three and six months ended June 30, 2023 was approximately 15% and 75%, respectively, and was different than the expected federal income tax rate of 21% due to forecasted operating losses offset by the impact of nondeductible executive compensation, remeasurement gains recognized in connection with the consolidation of the Altman Companies and certain real estate joint ventures that will not be recognized as taxable income, valuation allowances related to losses incurred in a foreign jurisdiction, and state income taxes.

Net Income or Loss Attributable to Noncontrolling Interests

The net income attributable to noncontrolling interests during the three and six months ended June 30, 2024 was \$0.2 million and \$0.6 million, respectively, compared to \$0.6 million and \$0.2 million during the comparable 2023 periods. The net income attributable to noncontrolling interests during 2024 reflects income attributable to noncontrolling interests in certain consolidated real estate joint ventures, Altman Management, ABBX Guaranty, LLC ("ABBX"), and a restaurant the Company acquired through foreclosure. The net income attributable to noncontrolling interests during the three and six months ended June 30, 2023 primarily reflects income attributable to noncontrolling interests in consolidated real estate joint ventures, IT'SUGAR, and a restaurant the Company acquired through foreclosure.

Consolidated Cash Flows

A summary of our consolidated cash flows is set forth below (in thousands):

	For the Six Months Ended June 30,	
	2024	2023
Cash flows used in operating activities	\$ (21,768)	(7,944)
Cash flows provided by (used in) investing activities	39,693	(22,109)
Cash flows provided by (used in) financing activities	12,269	(55)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 30,194	(30,108)
Cash, cash equivalents and restricted cash at beginning of period	111,584	128,331
Cash, cash equivalents and restricted cash at end of period	\$ 141,778	98,223

Cash Flows from Operating Activities

The Company's cash flow from operating activities decreased by \$13.8 million during the six months ended June 30, 2024 compared to the same 2023 period primarily due to (i) lower operating cash flows from BBXRE, including the impact of negative operating cash flows associated with the Altman Companies, including Altman Builders, and (ii) higher cash flows used in operating activities at BBX Sweet Holdings, which reflects higher operating losses in 2024 as compared to 2023, partially offset by higher cash flows from operating activities at Renin, which includes the impact of Renin's efforts to decrease its inventory balances.

Cash Flows from Investing Activities

The Company's cash flow from investing activities increased by \$61.8 million during the six months ended June 30, 2024 compared to the same 2023 period primarily due to (i) proceeds from the repayment of the \$35.0 million BVH note receivable in 2024, (ii) higher redemptions and lower purchases of securities available for sale in the 2024 period as compared to the 2023 period, (iii) lower purchases of property and equipment, which reflects lower capital expenditures by IT'SUGAR related to new and expanded store locations, and (iv) cash paid for the acquisition of the Altman Companies in 2023, partially offset by (i) cash acquired in the consolidation of the real estate joint ventures during 2023, and (ii) higher additions to real estate held for investment primarily associated with construction in progress of the Altis Grand Kendall rental property.

Cash Flows from Financing Activities

The Company's cash flow from financing activities increased by \$12.3 million during the six months ended June 30, 2024 compared to the same 2023 period primarily due to borrowings on the construction loan related to the development of Altis Grand Kendall, partially offset by (i) the repurchase of 500,000 shares of the Company's Class A Common Stock in a private transaction during 2024, and (ii) the payment of debt issuance costs in connection with the amendment and restatement of Renin's TD Bank Credit Facility.

Seasonality

BBX Sweet Holdings' businesses are subject to seasonal fluctuations in trade sales, which causes fluctuations in BBX Sweet Holdings' quarterly results of operations. Historically, IT'SUGAR has generated its strongest retail trade sales during the months from June through August, as well as during the month of December, when families are generally on vacation, while Las Olas Confections and Snacks generally generate its strongest trade sales during the fourth quarter in connection with various holidays in the United States.

Commitments

The Company's material commitments as of June 30, 2024 included the required payments due on notes payable and other borrowings and commitments under non-cancelable operating leases.

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The following table summarizes the contractual minimum principal and interest payments required on the Company's outstanding debt and payments required on the Company's non-cancelable operating leases by period due date as of June 30, 2024 (in thousands):

	Payments Due by Period				Unamortized Debt Issuance Costs	Total
	Less than 1 Year	1 — 3 Years	4 — 5 Years	After 5 Years		
Contractual Obligations (1)						
Notes payable and other borrowings	\$ 2,729	73,665	—	—	(81)	76,313
Noncancelable operating leases	14,516	51,787	41,398	61,243	—	168,944
Payment for purchase of an additional 10% interest in the Altman Companies (2)	—	—	2,350	—	—	2,350
Payments for the purchase of IT'SUGAR's Class B Units	775	652	—	—	—	1,427
Total contractual obligations	18,020	126,104	43,748	61,243	(81)	249,034
Interest Obligations (3)						
Notes payable and other borrowings	2,870	8,880	—	—	—	11,750
Total contractual interest	2,870	8,880	—	—	—	11,750
Total contractual obligations	\$ 20,890	134,984	43,748	61,243	(81)	260,784

- (1) The above table excludes certain additional amounts that the Company may invest in the joint ventures sponsored by the Altman Companies and BBX Logistics.
- (2) The \$2.4 million represents the amount owed by BBXRE to Mr. Altman following BBXRE's acquisition of the Altman Companies in January 2023, which is payable upon the earlier of the termination of Mr. Altman's employment with the Altman Companies or November 30, 2028.
- (3) Assumes that the scheduled minimum principal payments are made in accordance with the table above and the interest rates on variable rate debt remain the same as the rates as of June 30, 2024.

Liquidity and Capital Resources

As of June 30, 2024, the Company had cash, cash equivalents, and short-term investments of \$128.1 million, excluding (i) restricted cash and (ii) cash and cash equivalents in VIEs, as the use of such cash balances is limited to the activities of such VIEs. Management believes that the Company has sufficient liquidity for the foreseeable future to fund operations, including anticipated working capital, capital expenditures, and debt service requirements, and to respond to the challenges the Company faces related to, among other things, inflationary trends, higher interest rates, and the current economic environment. However, as previously disclosed, management has evaluated and will continue to evaluate the potential operating deficits, commitments, and liquidity requirements of its subsidiaries and may determine not to provide additional funding or capital to subsidiaries whose operations it believes may not be sustainable or do not support additional investment.

The Company's principal sources of liquidity have historically been its available cash, cash equivalents, and short-term investments, distributions from unconsolidated real estate joint ventures, and proceeds received from sales of real estate.

The Company previously received quarterly interest payments on the promissory note that was issued by BVH in favor of BBX Capital in connection with the spin-off of the Company from BVH. The original principal amount of the note was \$75.0 million. However, in December 2021, BVH prepaid \$25.0 million of the principal balance, and in May 2023, the Company and BVH agreed to a discounted prepayment of \$15.0 million of the principal balance of the note in return for proceeds of \$14.1 million. As a result, the outstanding balance of the note was \$35.0 million as of December 31, 2023. In January 2024, BVH was acquired by HGV, and in connection with the acquisition, the outstanding note payable balance of \$35.0 million plus accrued interest owed to the Company was paid in full.

The Company believes that its current financial condition will allow it to meet its anticipated near-term liquidity needs. The Company may also seek additional liquidity from outside sources, including traditional bank financing, secured or unsecured indebtedness, or the issuance of equity and/or debt securities. However, these alternatives may not be available to the Company on attractive terms, or at all. The inability to raise any needed funds through the sources discussed above would have a material adverse effect on the Company's business, results of operations, and financial condition.

Anticipated and Potential Liquidity Requirements

The Company currently expects to use its available liquidity to fund operations (including corporate expenses, working capital, capital expenditures, debt service requirements, and the Company's other commitments described above) and make additional investments in real estate, its existing operating businesses, or other opportunities, including the potential repurchase of common stock. However, as discussed above, management intends to evaluate any operating deficits, commitments, and liquidity requirements of its subsidiaries and may make a determination that it will not provide additional funding or capital to its subsidiaries.

BBX Capital

In January 2022, the Board of Directors approved a share repurchase program which authorizes the repurchase of up to \$15.0 million of shares of the Company's Class A and Class B Common Stock. The repurchase program authorizes the Company, in management's discretion, to repurchase shares from time to time subject to market conditions and other factors. The timing, price and number of shares which may be repurchased under the program in the future will be based on market conditions, applicable securities laws, and other factors considered by management. Share repurchases under the program may be made from time to time through solicited or unsolicited transactions in the open market or in privately negotiated transactions. The share repurchase program does not obligate the Company to repurchase any specific amount of shares and may be suspended, modified, or terminated at any time without prior notice.

In May 2024, the Company repurchased and retired 500,000 shares of its Class A Common Stock for approximately \$4.4 million at a cost of \$8.75 per share in a privately negotiated transaction under its share repurchase program. As of June 30, 2024 the Company was authorized under the share repurchase program to purchase an additional \$9.6 million of shares of the Company's Class A and Class B Common Stock.

BBX Capital Real Estate

The Altman Companies

Although the Altman Companies generates revenues from the performance of development management, general contractor, leasing, and property management services to the joint ventures that are formed to invest in the development projects sponsored by it, a significant component of the profits expected to be generated by BBXRE through the operations of the Altman Companies is primarily through the equity distributions that BBXRE receives through its investment in the managing member of such joint ventures sponsored by the Altman Companies. Therefore, as the timing of any such distributions to BBXRE is generally contingent upon the sale or refinancing of a completed development project, it is generally anticipated that BBXRE will be required to fund (i) ongoing operating costs and predevelopment expenditures of the Altman Companies and (ii) equity investments in the managing member of any newly formed development joint ventures. Further, as previously disclosed, as a result of current market conditions, the Altman Companies previously determined that many projects in its development pipeline no longer met its investment criteria, and the Altman Companies wrote-off various predevelopment expenditures during prior periods as it no longer expected to be reimbursed for such expenditures upon the formation of a development joint venture. Further, previously anticipated fee income will not be generated from such development projects that are no longer in its development pipeline, and Altman Builders has also incurred unanticipated losses in 2023 and 2024 as a result of the failure of certain subcontractors to perform pursuant to their construction contracts with Altman Builders. As a result, BBXRE currently anticipates that it will fund in excess of \$10.0 million to the Altman Companies during the remaining six months of 2024 for ongoing operating costs and losses, working capital, predevelopment expenditures, and contributions to certain existing development joint ventures for cost overruns. In addition, although BBXRE previously expected that the Altman Companies and its affiliates may invest in the managing member of a new development joint venture in late 2024, BBXRE currently expects that such investment will occur in 2025.

BBX Logistics

BBXRE currently expects that it will fund in excess of \$15.0 million to BBX Logistics during the remaining six months of 2024 for predevelopment expenditures, ongoing operating costs, and potential investments in new and existing developments, including The Park at Davie and The Park at Lakeland. These estimates are based on BBX Logistics' current pipeline of potential development projects, but there is no assurance that BBX Logistics will commence any or all of the new developments in its project pipeline.

In connection with the development of The Park at Davie, the Company currently expects to ultimately invest a net amount of approximately \$5.1 million in the development joint venture based on an expected 20% ownership interest in the venture. However, as previously disclosed, the Company currently has a 50% ownership interest in the venture, and its ownership interest in the venture will not decrease to 20% until the joint venture is recapitalized upon the commencement of vertical construction and the origination of debt financing for the development. As a result, in July 2024 in connection with the joint venture's acquisition of the land expected to be developed into The Park at Davie, the Company invested \$11.9 million in the joint venture and may invest additional amounts in the venture for predevelopment expenditures based on its 50% ownership interest until the joint venture is recapitalized, at which time the Company will receive a return of its capital and its investment will decrease to the above described \$5.1 million. The aforementioned net funding of \$15.0 million that BBXRE expects to provide BBX Logistics during the remaining six months of 2024 assumes that The Park at Davie joint venture is not recapitalized until 2025 and that BBX Logistics' investment in the venture will not decrease to the above described \$5.1 million until such time.

During 2023, BBXRE contributed \$5.0 million of cash and cash equivalents to a wholly-owned subsidiary that was formed to provide construction completion and cost overrun guarantees to development joint ventures sponsored by BBX Logistics and provide guarantees, including repayment guarantees, on debt financing related to such developments. As a result of minimum liquidity requirements included in the current guarantees provided by the subsidiary, such cash is classified as restricted cash in the Company's statement of financial condition as it is restricted from being utilized in BBXRE's other operations. Based on its current pipeline of potential development projects, BBXRE currently expects that it may be required to contribute an additional \$5.0 million to the subsidiary in 2024 in order to meet minimum liquidity requirements expected to be included in guarantees for such future developments.

Excluding the land acquired which is expected to be developed into The Park at Davie, as of June 30, 2024, BBX Logistics had also entered into agreements for an aggregate purchase price of approximately \$47.3 million to acquire three land parcels for the purpose of developing logistics facilities. Due diligence has been completed for two of these parcels, and the \$1.4 million of escrowed deposits paid by BBX Logistics for these two parcels are nonrefundable. The agreement for the other parcel is subject to various contingencies, and the escrowed deposit paid by BBXRE in connection with the agreement is currently refundable.

If BBX Logistics moves forward with these projects, BBXRE expects that it will develop the projects through joint ventures with third party investors and, in such case, that it will seek third party debt and equity financing for the land and development costs, assign the purchase agreements to the applicable joint ventures formed with the third party equity investors, and fund its share of the land and development costs as the managing member of the applicable joint ventures.

Other

The operating agreements of certain real estate joint ventures in which BBXRE is an investor contain customary buy-sell provisions which could result in either the sale of BBXRE's interest or the use of available cash to acquire the partner's interest, and the Company's commitments and liquidity requirements described above do not include amounts that the Company could pay as a result of the initiation of these provisions.

BBX Sweet Holdings

IT'SUGAR currently expects that it may incur up to \$2.0 million of capital expenditures during the remaining six months of 2024 to fund construction costs associated with leases for new retail locations and the expansion of existing retail locations, although IT'SUGAR expects to receive reimbursements from landlords in the form of tenant allowances for a portion of these capital expenditures. However, IT'SUGAR is continuing to evaluate additional retail locations beyond those locations for currently identified in its pipeline, and it may incur additional capital expenditures as a result of the execution of lease agreements for additional locations. Further, if the opening of certain stores are delayed from 2024 to 2025, such capital expenditures may be incurred in 2025 instead of 2024.

In August 2023, IT'SUGAR's founder stepped down as Chief Executive Officer at IT'SUGAR, although he has agreed to remain an employee and advisor to BBX Sweet Holdings through November 2025. In connection with the transition, BBX Sweet Holdings acquired his noncontrolling interest in IT'SUGAR for a net purchase price of \$4.7 million, of which \$3.3 million was paid in cash at closing, \$0.8 million was paid in August 2024, and the remainder will be paid in August 2025.

Renin

In recent years, including in March 2024 in connection with the amendment and restatement of the TD Bank Credit Facility, BBX Capital has provided funds to Renin at various times to provide additional liquidity for working capital, make partial prepayments on Renin's term loan with TD Bank, and fund certain one-time expenditures, including costs related to the transition of operations from a facility in Montreal, Canada to its other facilities.

While BBX Capital may fund additional amounts to Renin to prevent noncompliance with covenants under the TD Bank Credit Facility or to fund working capital and other commitments, BBX Capital's management will continue to evaluate the operating results, financial condition, commitments, and prospects of Renin on an ongoing basis and may determine that it will not provide additional funding or capital to Renin.

Credit Facilities with Future Availability

As of June 30, 2024, BBX Capital and certain of its subsidiaries had the following credit facilities with future availability, subject to eligible collateral and the terms of the facilities, as applicable.

Toronto-Dominion Bank (“TD Bank”) Revolving Line of Credit - TD Bank Credit Facility

On March 13, 2024, Renin’s TD Bank Credit Facility was amended and restated in its entirety to provide Renin with (i) an asset-backed revolving line of credit with maximum availability of up to \$30.0 million, subject to available collateral in the form of eligible accounts receivable, inventory, and equipment, and (ii) a term loan with an initial principal balance of \$3.4 million, and the proceeds from the amended and restated facility, along with certain capital contributions from BBX Capital, as described below, were utilized to repay the existing facility. Under the terms of the amended and restated credit facility, the outstanding balance of the asset-backed revolving line of credit matures on March 13, 2026, while the outstanding balance of the term loan must be repaid in equal quarterly installments of \$0.8 million on May 31, 2024, August 30, 2024, November 30, 2024, and February 28, 2025. The amended and restated credit facility is subject to customary covenants for asset-backed revolving lines of credit, including the following financial covenants: (i) a fixed charge coverage ratio commencing in January 2025, (ii) restrictions on capital expenditures, (iii) a requirement for Renin to maintain \$3.0 million in excess availability between the outstanding balance under the revolving line of credit and the calculated availability under the facility based on the advance rates applicable to eligible collateral under the facility, and (iv) ongoing reporting and appraisals related to eligible collateral. In addition, Renin must meet certain minimum levels of specified operating results through December 2024. Under the terms of the amended and restated facility, interest rates on amounts outstanding under the revolving line of credit are (i) the Canadian Prime Rate plus a spread of 1.00% to 1.50% per annum, (ii) the United States Base Rate plus a spread of 0.50% to 1.00% per annum, (iii) the Canadian Overnight Repo Rate plus a spread of 2.00% to 2.50%, or (iv) the Term SOFR plus a spread of 2.00% to 2.50% per annum, with the spread applicable for each rate being dependent on the amount of excess availability under the revolving line of credit, while the interest rates on amounts outstanding under the term loan are .50% higher than the rates applicable to the revolving line of credit. Under the terms of the facility, the Term SOFR for loans with one to six-months terms are also subject to an additional credit spread adjustment of 10 to 25 basis points per annum.

In connection with the closing of the amended and restated credit facility, BBX Capital contributed \$3.3 million of capital to Renin, and Renin used the funds to pay down a portion of the term loan under the prior facility and for working capital purposes. In addition, BBX Capital Real Estate agreed to maintain a restricted deposit account with TD Bank in the amount of the outstanding balance under the term loan portion of the amended and restated facility. During the period between closing and December 31, 2024, if Renin is not in compliance with the financial covenant requiring Renin to meet certain minimum levels of specific operating results, BBX Capital may make a one-time capital contribution to Renin to cure the noncompliance based on a prescribed formula in the amended and restated facility. In addition, if the excess availability under the revolving line of credit decreases below \$3.0 million, Renin would be required to receive a capital contribution from BBX Capital in the amount of the deficit. However, while BBX Capital’s failure to provide such capital contributions may result in events of default under the amended and restated facility, BBX Capital is not under any obligation to TD Bank or Renin to make such contributions to Renin. Further, under the terms of the amended and restated facility, BBX Capital is no longer required to pledge its ownership interests in Renin to TD Bank. BBX Capital’s management will continue to evaluate the operating results, financial condition, commitments, and prospects of Renin and may determine that it will not provide additional funding or capital to Renin.

As of June 30, 2024, the outstanding amount under the revolving line of credit was \$14.3 million, and the outstanding term loan balance was \$2.5 million, with a combined effective interest rate of 7.9%. As of June 30, 2024, Renin was in compliance with the financial covenants under the TD Bank Credit Facility and had \$2.8 million of contractually committed availability under the credit facility based on its eligible collateral and required minimum excess availability.

First Horizon Bank Revolving Line of Credit - LOCS Credit Facility

In July 2021, BBX Sweet Holdings and certain of its subsidiaries, including Las Olas Confections and Snacks, entered into a credit agreement (the “LOCS Credit Facility”) with First Horizon Bank (formerly known as IberiaBank) which provided for a revolving line of credit of up to \$2.5 million that was scheduled to mature in July 2023. In March 2023, the LOCS Credit Facility was amended to increase the availability under the revolving line of credit from \$2.5 million to \$5.0 million and to extend the maturity from July 2023 to March 2025. Amounts outstanding under the amended facility bear interest at the higher of the Wall Street Journal Prime Rate plus 50 basis points or 3.0% per annum, and the amended facility requires monthly payments of interest only, with any outstanding principal and accrued interest due at the maturity date. The LOCS Credit Facility is collateralized by a blanket lien on all of the assets of the borrowers under the facility and is guaranteed by BBX Capital. The facility contains certain financial covenants, including a minimum liquidity requirement for BBX Capital as guarantor under the facility and a requirement that the borrowers must maintain a zero balance on the facility for thirty consecutive days during each calendar year during the term of the facility. As of June 30, 2024, the outstanding balance of the credit facility was \$4.9 million and the effective interest rate was 9.0%.

Regions Bank Revolving Line of Credit - IT'SUGAR Credit Facility

In January 2023, IT'SUGAR entered into a credit agreement (the "IT'SUGAR Credit Facility") with Regions Bank which provided for a revolving line of credit of up to \$5.0 million that matured in June 2024.

In July 2024, the IT'SUGAR Credit Facility was amended, effective June 20, 2024, to increase the revolving line of credit from \$5.0 million to \$7.0 million and to extend the maturity date to June 20, 2025. Amounts outstanding under the IT'SUGAR Credit Facility bear interest at the higher of a rate equal to the Regions Bank Prime Rate minus 1.50% per annum or 0% per annum, and the facility requires monthly payments of interest only, with any outstanding principal and accrued interest due at the maturity date. The amended facility also provides for the issuance of letters of credit up to the lesser of (a) \$2.0 million and (b) the amount of the total revolving commitment then in effect. While a letter of credit cannot have an expiration date later than one year from the date of issuance of such letter of credit, a letter of credit may have an expiration date after the maturity date in June 2025 subject to certain conditions. Letter of credit fees are computed and payable on a quarterly basis in arrears and are equal to two percent multiplied by the daily maximum amount available to be drawn under such letter of credit. Under the terms of the amended facility, BBX Capital Real Estate has pledged that it will maintain a minimum balance of \$7.0 million of cash and cash equivalents in an investment account with Regions Bank to secure the repayment of the IT'SUGAR Credit Facility. As of June 30, 2024, the outstanding balance of under the credit facility was \$5.0 million, and the effective interest rate was 7.00%.

Comerica Letter of Credit Facility - Altman LOC Facility

The Altman Companies has a credit facility (the "Altman LOC Facility") with Comerica Bank pursuant to which Comerica has committed to provide letters of credit on behalf of the Altman Companies up to an aggregate amount of \$4.0 million to fund required deposits under contracts to acquire land for future development joint ventures. The Altman LOC Facility currently expires in April 2026 and requires the Altman Companies to pay Comerica Bank an annual fee, in advance, equal to 2% per annum of the amount of each letter of credit outstanding under the facility. The letters of credit under the facility expire no later than one year after issuance. Further, letters of credit may be issued or re-issued prior to the expiration date in April 2026 for periods up to one year; however, any letters of credit under the facility cannot expire later than one year after the expiration under the facility in April 2026. The Altman LOC Facility is guaranteed by ABBX.

As of June 30, 2024, the Altman Companies had one letter of credit outstanding under the facility with an aggregate balance of \$0.8 million.

Off-balance-sheet Arrangements

BBX Capital guarantees certain obligations of its subsidiaries and unconsolidated real estate joint ventures as described in further detail in Notes 6 and 14 to the Company's condensed consolidated financial statements included in Item 1 of this report.

The Company has investments in joint ventures involved in the development of multifamily rental apartment communities, single-family master planned for sale housing communities, and warehouse and logistics facilities. The Company's investments in certain joint ventures are accounted for under the equity method of accounting, and as a result, the Company does not recognize the assets and liabilities of many of these joint ventures in its financial statements. As of June 30, 2024 and December 31, 2023, the Company's investments in these joint ventures totaled \$48.2 million and \$44.1 million, respectively. These unconsolidated real estate joint ventures generally finance their activities with a combination of debt financing and equity financing. BBX Capital generally does not directly guarantee the financing of these joint ventures, other than as described in Notes 6 and 14 to the Company's condensed consolidated financial statements included in Item 1 of this report and further described below. Further, while the Company is typically not obligated to fund additional capital to these joint ventures; the Company's interest in a joint venture may be diluted if the Company elects not to fund capital call from a joint venture. The Company believes that the maximum exposure to losses from these joint ventures is approximately \$63.4 million, which represents the carrying amount of the Company's investments in these joint ventures and the restricted cash held by ABBX and BBXIG, as further described below.

As described in Notes 6 and 14 to the Company's condensed consolidated financial statements included in Item 1 of this report, ABBX, a consolidated VIE, provides repayment, cost overrun, and construction completion guarantees related to the third party construction loans payable by real estate joint ventures sponsored by the Altman Companies and also provides cost overrun and construction completion guarantees to such ventures. The repayment guarantees relate to a specified percentage of the principal balance of the construction loans and generally expire once the applicable multifamily apartment community has stabilized, while the construction completion guarantees extend over the term of the construction period, which is generally two years. The maximum amount of future payments that ABBX could be required to make under the repayment guarantees is \$79.4 million on aggregate joint venture indebtedness of \$322.7 million. ABBX would be required to perform on the guarantees upon a default on a construction loan by a joint venture or to ensure the completion of the construction of a multifamily apartment community. As of June 30, 2024, ABBX has been funded with \$10.0 million in cash and cash equivalents, and ABBX must maintain such amounts under the terms of the applicable construction loans payable by the real estate joint ventures.

As described in Note 14 to the Company's condensed consolidated financial statements included in Item 1 of this report, BBX Industrial Guaranty, LLC ("BBXIG") is a consolidated wholly-owned subsidiary that was established to provide repayment, cost overrun, and construction completion guarantees related to third party construction loans obtained by real estate joint ventures sponsored by BBX Logistics and cost overrun and construction completion to such ventures. As a result of The Park at Delray joint venture closing on debt financing for the first phase of its development project in April 2024, the maximum amount of future payments that BBXIG could be required to make under the repayment guarantees is \$31.3 million on aggregate joint venture indebtedness of \$31.3 million. BBXIG would be required to perform on the guarantees upon a default on a construction loan by a joint venture or to ensure the completion of the construction of a warehouse and logistics facility. As of June 30, 2024, BBXIG has been funded with \$5.0 million in cash and cash equivalents, and BBXIG is required to maintain a net worth of not less than \$5.0 million as a result of its current guarantees.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risks in the ordinary course of its business. These risks primarily include interest rate risk, commodity price risk and equity price risk. The Company's exposure to market risk has not materially changed from what was previously disclosed in our 2023 Annual Report.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2024 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

There have been no material changes in our legal proceedings from those disclosed in the "Legal Proceedings" section of our 2023 Annual Report.

Item 1A. Risk Factors

There have been no material changes in the risks and uncertainties that we face from those disclosed in the "Risk Factors" section of our 2023 Annual Report.

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

Information regarding the Company's purchase of its Class A and Class B Common Stock under the Company's repurchase program is set forth in the table below:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1 – April 30, 2024	—	\$ —	—	\$ 13,926,696
May 1 – May 31, 2024	500,000	\$ 8.75	500,000	\$ 9,551,696
June 1 – June 30, 2024	—	—	—	\$ 9,551,696

Item 6. Exhibits

Exhibit 10.1	Second Amended and Restated Credit Agreement effective as of June 20, 2024 by and among IT'SUGAR LLC, BBX Capital Real Estate, LLC and Regions Bank
Exhibit 31.1	Principal Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Principal Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Principal Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Principal Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Exhibits furnished and not filed with this Form 10-Q.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BBX CAPITAL, INC.

August 9, 2024

By: /s/ Jarett S. Levan
Jarett S. Levan, Chief Executive Officer and President

August 9, 2024

By: /s/ Brett Sheppard
Brett Sheppard, Chief Financial Officer

I, Jarett S. Levan, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of BBX Capital, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

By: /s/ Jarett S. Levan

Jarett S. Levan,
Chief Executive Officer and President

I, Brett Sheppard, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of BBX Capital, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

By: /s/ Brett Sheppard
Brett Sheppard,
Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of BBX Capital, Inc. (the "Company") for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jarett S. Levan, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2024

/s/ Jarett S. Levan

Name: Jarett S. Levan

Title: Chief Executive Officer and President

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of BBX Capital, Inc. (the “Company”) for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brett Sheppard, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2024

/s/Brett Sheppard

Name: Brett Sheppard

Title: Chief Financial Officer

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated effective as of June 20, 2024

among
IT'SUGAR LLC

as Borrower,
BBX CAPITAL REAL ESTATE, LLC
As, Pledgor
and
REGIONS BANK

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This **SECOND AMENDED AND RESTATED CREDIT AGREEMENT** (this “Agreement”) dated effective as of June 20, 2024 (the “Closing Date”) is entered into by and among **IT'SUGAR LLC**, a Delaware limited liability company (the “Borrower”), the Pledgor (defined herein) and **REGIONS BANK** (the “Lender”).

RECITALS:

WHEREAS, on or about January 20, 2023, Lender extended that certain revolving line of credit facility (the “Revolving Loan”) to Borrower in the maximum principal amount of \$5,000,000.00 evidenced by, among other things that certain Revolving Line of Credit Promissory Note (the “Prior Note”) in the amount of the Revolving Loan dated January 20, 2023 (the “Revolving Loan”). The Revolving Loan is governed pursuant to the terms of that certain Amended and Restated Credit Agreement dated as of June 22, 2023 by and between Borrower, Pledgor and Lender (the “Prior Credit Agreement”).

WHEREAS, the Borrower has requested, and the Lender has agreed to renew and increase the Revolving Line to a maximum principal amount of \$7,000,000.00 which Revolving Line will provide for the issuance of Letters of Credit up to the Letter of Credit Sublimit and for working capital needs subject to and pursuant to the terms hereof.

WHEREAS, this Agreement amends and restates the Prior Credit Agreement in all respects as of the Closing Date. In the event of any conflict between the terms of this Agreement and the Prior Credit Agreement, the provisions of this Agreement shall prevail in all respects.

NOW, THEREFORE, in consideration of these premises and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. Capitalized terms used herein and not otherwise defined, including in the introductory paragraph, recitals, exhibits and schedules hereto, shall have the meanings provided in Schedule 1.

Section 1.2 Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP in effect on the Closing Date. Financial statements and other information required to be delivered by the Borrower to the Lender pursuant to this Agreement shall be prepared in accordance with GAAP in effect on the Closing Date. Notwithstanding the above, the parties hereto acknowledge and agree that all calculations of the financial covenants set forth herein, including for purposes of determining the Applicable Margin shall be made on a pro forma basis.

Section 1.3 Rules of Interpretation.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document in any Credit Document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Credit Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) all references in a Credit Document to Sections, Exhibits, Annexes, Appendices and Schedules shall be construed to refer to Sections of, and Exhibits, Annexes, Appendices and Schedules to, the Credit Document in which such references appear, and (iv) any reference to any law shall include all statutory and regulatory rules, regulations, orders and provisions consolidating, amending, replacing or interpreting such law and any references to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

(b) Unless otherwise expressly indicated, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”, the words “to” and “until” each mean “to but excluding”, and the word “through” means “to and including”.

(c) Unless otherwise indicated, all references to a specific time shall be construed to be Eastern Standard Time.

(d) Any reference herein or in any other Credit Document to a merger, transfer, consolidation, amalgamation, assignment, sale or disposition, or similar term, shall be deemed to apply to a division of, or by, a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, assignment, sale or disposition, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder and under each other Credit Document (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

(e) Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time (after giving effect to any permanent reduction in the stated amount of such Letter of Credit pursuant to the terms of such Letter of Credit); provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

1.4 References. Any reference to the term “Certificate of Deposit” or “Treasury Notes” or “Treasury Bills” in any Loan Document shall be deemed stricken and replaced with the term “Investment Account”. Any reference to the term “Pledge Agreement” in the Loan Documents in any Loan Document other than this Credit Agreement shall be deemed stricken and replaced with the term “Investment Account Pledge Agreement”.

Section 2. LOANS AND CREDIT EXTENSIONS

Section 2.1 Loans.

(a) Revolving Loan. Subject to the terms and conditions set forth herein, the Lender agrees to make the Revolving Loan in Dollars to the Borrower from time to time during the Revolving Commitment Period in an aggregate amount not to exceed the lesser of the Advance Threshold or the Revolving Commitment; provided, that after giving effect to the making of the Revolving Loan, the Total Revolving Outstandings shall not exceed the Revolving Commitment. Amounts borrowed pursuant to this Section 2.1(a) may be repaid without premium or penalty and, subject to the terms and conditions set forth herein, re-borrowed during the Revolving Commitment Period. In order to facilitate the borrowing of with respect to the Revolving Loan, the Borrower and the Lender may mutually agree to enter into an auto borrow agreement (the “Auto Borrow Agreement”) providing for the automatic advance by the Lender of Revolving Loans under the conditions set forth in such Auto Borrow Agreement and subject to the conditions set forth herein. At any time an Auto Borrow Agreement is in effect, advances under the Auto Borrow Agreement shall be deemed Revolving Loans for all purposes hereof, except that Borrowings of Revolving Loans under the Auto Borrow Agreement shall be made in accordance with the terms of the Auto Borrow Agreement. For purposes of determining the Total Revolving Outstandings at any time during which an Auto Borrow Agreement is in effect, the Outstanding Amount of all Revolving Loans shall be deemed to be the sum of the Outstanding Amount of Revolving Loans at such time plus the maximum amount available to be borrowed under such Auto Borrow Agreement at such time.

(b) Mechanics for Loans. The Borrower shall request a Loan by (i) delivering to the Lender a fully executed Funding Notice or (ii) delivering to the Lender a satisfactory request by e-mail in each case, no later than 1:00 p.m. on the proposed Credit Date. Upon satisfaction of the conditions precedent specified herein, the Lender shall make the proceeds of the requested Borrowing available to the Borrower on the applicable Credit Date by crediting the account of the Borrower at the Lender or such other account as may be designated in writing to the Lender by the Borrower.

Section 2.2 Evidence of Debt; Lender’s Books and Records; Note.

(a) Lender’s Evidence of Debt. The Lender shall maintain on its internal records an account or accounts evidencing the Obligations, including the amounts of the Loan made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on the Borrower, absent manifest error; provided, that the failure to make any such recordation, or any error in such recordation, shall not affect the Obligations.

(b) Note. The Borrower shall execute and deliver to the Lender a Note to evidence the Loan.

Section 2.3 Scheduled Principal Payments.

(a) Revolving Loan. Subject to the terms hereof, and the Credit Documents, the principal amount of the Revolving Loan shall be due and payable in full on the Maturity Date.

Section 2.4 Interest on Loan.

(a) The Loan shall bear interest at the Note Rate pursuant to the terms of the Note.

(b) Except as otherwise set forth herein, interest on each Loan shall accrue on a daily basis and shall be payable in arrears (i) on and to each Interest Payment Date applicable to that Loan; (ii) upon any prepayment of that Loan (other than a voluntary prepayment of a Revolving Loan which interest shall be payable in accordance with clause (i) above), to the extent accrued on the amount being prepaid; and (iii) at maturity, including final maturity.

(c) The Borrower agrees to pay to the Lender, with respect to drawings honored under any Letter of Credit issued by the Lender, interest on the amount paid by the Lender in respect of each such honored drawing from the date such drawing is honored to but excluding the date such amount is reimbursed by the Borrower (including with the proceeds of a Revolving Loan) at a rate equal to (i) for the period from the date such drawing is honored to but excluding the applicable Reimbursement Date, the

rate of interest otherwise payable hereunder with respect to the Revolving Loan, and (ii) thereafter, a rate which is equal to Two percent (2%) per annum in excess of the rate of interest otherwise payable hereunder with respect to Revolving Loans.

Section 2.5 Default Rate of Interest.

(a) During the continuance of an Event of Default, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fixed interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable laws.

(b) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Payment or acceptance of the increased rates of interest provided for in this Section 2.5 is not a permitted alternative to timely payment and shall not constitute a waiver of any Default or otherwise prejudice or limit any rights or remedies of the Lender.

Section 2.6 Fees.

(a) Letter of Credit Fees. The Borrower shall pay to the Lender a Letter of Credit fee [(i) for each commercial Letter of Credit equal to two percent (2.00%) multiplied by the daily maximum amount available to be drawn under such Letter of Credit (the "Letter of Credit Fees")]. The Letter of Credit Fees shall be computed on a quarterly basis in arrears, and shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the expiration date thereof and thereafter on demand. Notwithstanding anything to the contrary contained herein, during the continuance of an Event of Default, all Letter of Credit Fees shall accrue at the Default Rate. The Borrower shall pay directly to the Lender for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Lender relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(b) Late Fee. Unless otherwise stipulated, the Borrower agrees to pay to the Lender, on demand, a late charge computed as follows to cover the extra expense involved in handling late payments: If interest or principal are payable in installments, the late charge will be equal to five percent (5%) of any payment that is not paid within fifteen (15) days after it is due. If principal and interest are payable at maturity, the late charge will be equal to five percent (5%) of the interest portion of the payment that is not paid within fifteen (15) days after it is due. This provision shall not be deemed to excuse a late payment or be deemed a waiver of any Default arising from such later payment or any other right the Lender may have including, without limitation, the right to declare the entire unpaid principal and interest immediately due and payable.

Section 2.7 Prepayments/Commitment Reductions.

(a) Voluntary Prepayments. Any time and from time to time, the Borrower may prepay Loans in whole or in part. All such prepayments shall be made upon written (which may be by e-mail) or telephonic notice on the date one day prior to the date of prepayment, in each case given to the Lender by 11:00 a.m. on the date required and, if given by telephone, promptly confirmed in writing to the Lender. Upon the giving of any such notice, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein.

(b) Voluntary Commitment Reductions. The Borrower may, from time to time upon not less than three (3) Business Days' prior written or telephonic notice confirmed in writing to the Lender, at any time and from time to time terminate in whole or permanently reduce in part the Revolving Commitment; provided, that (A) the Borrower shall not terminate or reduce the Revolving Commitment if, after giving effect thereto and to any concurrent prepayments hereunder, the aggregate Total Revolving Outstandings exceeds the Revolving Commitment, (B) any such partial reduction shall be in a minimum amount of \$1,000,000.00 and (C) if, after giving effect to any reduction of the Revolving Commitment, the Letter of Credit Sublimit exceeds the amount of the Revolving Commitment, the Letter of Credit Sublimit shall be automatically reduced by the amount of such excess. The Borrower's notice to the Lender shall designate the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction, and such termination or reduction of the Revolving Commitment shall be effective on the date specified in the Borrower's notice. Unless previously terminated, the Revolving Commitment shall terminate at the expiration of the Revolving Commitment Period.

(c) Mandatory Prepayments.

(i) Revolving Commitment. If at any time (A) the Total Revolving Outstandings shall exceed the Revolving Commitment or (B) the Outstanding Amount of Letter of Credit Obligations shall exceed the Letter of Credit Sublimit, the Borrower shall immediately prepay the Revolving Loans and/or cash collateralize the Letters of Credit, as directed by the Lender, in an amount equal to such excess.

Section 2.8 Application of Prepayments.

(a) Voluntary Prepayments. Voluntary prepayments will be applied as specified by the Borrower unless an Event of Default is occurring, in which case the prepayments will be applied in the manner designated by Lender.

(b) Mandatory Prepayments. Mandatory prepayments will be applied as follows:

(i) Mandatory prepayments under Section 2.7(c)(i) shall be applied to the Revolving Loan but without a permanent reduction of the Revolving Commitments.

(ii) Intentionally deleted.

Section 2.9 General Provisions Regarding Payments.

(a) All payments by the Borrower hereunder shall be paid in Dollars in immediately available funds, without setoff or counterclaim or any deduction or withholding whatsoever, including for any and all present and future taxes. If the Borrower makes a payment under this Agreement to which withholding tax applies or if any taxes (other than taxes on net income imposed by any Governmental Authority and measured by the taxable income the Lender would have received if all payments under or in respect of this Agreement were exempt from taxes levied by such Governmental Authority) are at any time imposed on any payments under or in respect of this Agreement including, but not limited to, payments made pursuant to this paragraph, the Borrower shall pay all such taxes to the relevant authority in accordance with applicable law such that the Lender receives the sum it would have received had no such deduction or withholding been made (or, if the Borrower cannot legally comply with the foregoing, the Borrower shall pay to Lender such additional amounts as will result in the Lender receiving the sum it would have received had no such deduction or withholding been made). Further, the Borrower shall also pay to the Lender, on demand, all additional amounts that the Lender specifies as necessary to preserve the after-tax yield the Lender would have received if such taxes had not been imposed. The Borrower shall promptly provide the Lender with an original receipt or certified copy issued by the relevant authority evidencing the payment of any such amount required to be deducted or withheld.

(b) The Lender may (but shall not be required to), and the Borrower hereby authorizes the Lender to, debit a deposit account of the Borrower or any Subsidiary of the Borrower held with the Lender or any of Lender's Affiliates and designated for such purpose by the Borrower or such Subsidiary of Borrower in order to cause timely

payment to be made to the Lender of all principal, interest and fees due hereunder or under any other Credit Document (subject to sufficient funds being available in its accounts for that purpose), including without limitation the account set forth below:

Routing: 063104668
Checking: 0325584464

(c) Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest or fees hereunder, but such payment shall be deemed to have been made on the date therefor for all other purposes hereunder.

(d) The Lender may, but shall not be obligated to, deem any payment by or on behalf of the Borrower hereunder that is not made in same day funds prior to 2:00 p.m. to be a non-conforming payment. Any such payment shall not be deemed to have been received by the Lender until the later of (i) the time such funds become available funds and (ii) the applicable next Business Day. The Lender shall give prompt telephonic notice to the Borrower (confirmed in writing) if any payment is non-conforming. Any non-conforming payment may constitute or become a Default in accordance with the terms of Section 8.1. Interest shall continue to accrue on any principal as to which a non-conforming payment is made until such funds become available funds (but in no event less than the period from the date of such payment to the next succeeding applicable Business Day) at the Default Rate from the date such amount was due and payable until the date such amount is paid in full.

Section 2.10 Issuances of Letters of Credit.

(a) Letters of Credit. Subject to the terms and conditions set forth herein, the Lender agrees to issue Letters of Credit in Dollars for the account of the Borrower or any Subsidiary from time to time during the Revolving Commitment Period; provided, that (i) after giving effect to such issuance, in no event shall (x) the Total Revolving Outstandings exceed the Revolving Commitment and (y) the Outstanding Amount of Letter of Credit Obligations exceed the Letter of Credit Sublimit; and (ii) no Letter of Credit shall have an expiration date later than one (1) year from the Maturity Date and (B) the date which is one (1) year from the date of issuance of such Letter of Credit. The Lender may send a Letter of Credit or conduct any communication to or from the beneficiary via the Society for Worldwide Interbank Financial Telecommunication message or overnight courier, or any other mutually agreed means of communicating with a beneficiary.

(b) Notice of Issuance. The Borrower shall request the issuance of a Letter of Credit by delivering to the Lender an Issuance Notice no later than 1:00 p.m. at least three (3) Business Days in advance of the proposed date of issuance. Upon satisfaction of the conditions precedent set forth herein, the Lender shall issue the requested Letter of Credit only in accordance the Lender's standard operating procedures (including the delivery by the Borrower of a fully-executed Letter of Credit Application in the Lender's standard form and such other documents and information as the Lender may require).

(c) Responsibility of Lender With Respect to Requests for Drawings and Payments. In determining whether to honor any drawing under any Letter of Credit by the beneficiary thereof, the Lender shall be responsible only to examine the documents delivered under such Letter of Credit with reasonable care so as to ascertain whether they appear on their face to be in accordance with the terms and conditions of such Letter of Credit. The Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by the Lender, by the respective beneficiaries of Letters of Credit. In furtherance and not in limitation of the foregoing, the Lender shall not be responsible for the following, none of which shall affect or impair, or prevent the vesting of, the Lender's rights and powers hereunder: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of such Letter of Credit to comply fully with any conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Lender, including any governmental acts. Without limiting the foregoing and in furtherance thereof, any action taken or omitted by the Lender under or in connection with any Letters of Credit or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not give rise to any liability on the part of the Lender to any Credit Party or any Subsidiary.

(d) Reimbursement by the Borrower of Amounts Drawn or Paid Under Letters of Credit. In the event the Lender has determined to honor a drawing under a Letter of Credit, the Lender shall notify the Borrower, and the Borrower shall reimburse the Lender on the date on which such drawing is honored (the "Reimbursement Date") in an amount in Dollars equal to the amount of such drawing; provided, that, anything contained herein to the contrary notwithstanding, unless the Borrower shall have notified the Lender prior to 11:00 a.m. on the date such drawing is honored that the Borrower intends to reimburse the Lender for the amount of such drawing with funds other than the proceeds of a Revolving Loan, the Lender may, in its sole discretion, make a Revolving Loan on the Reimbursement Date in an amount in Dollars equal to the amount of such drawing and use the proceeds thereof to repay the Lender in the amount of such drawing.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the Lender for drawings honored under Letters of Credit and to repay any Revolving Loans made by the Lender pursuant to Section 2.10(d) shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms hereof under all circumstances including any of the following circumstances: (i) any lack of validity or enforceability of any Letter of Credit; (ii) the existence of any claim, set-off, defense or other right which the Borrower or the Lender may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Lender or any other Person; (iii) any draft or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (iv) payment by the Lender under any Letter of Credit against presentation of a draft or other document which does not substantially comply with the terms of such Letter of Credit; (v) any adverse change in the business, operations, properties, assets or financial condition of the Borrower or any Subsidiary; (vi) any breach hereof or any other Credit Document by any party thereto; (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing; or (viii) the fact that a Default shall have occurred and be continuing.

(f) Applicability of ISP. Unless otherwise expressly agreed by the Lender and the Borrower when a Letter of Credit is issued, the rules of the ISP shall apply to each standby Letter of Credit.

(g) Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the Lender hereunder for any and all drawings under such Letter of Credit. The Borrower acknowledges that the issuance of Letters of Credit for the account of the Subsidiaries inures to the benefit of the Borrower and that the Borrower's business derives substantial benefits from the businesses of the Subsidiaries.

(h) Expiration of Letters of Credit. Notwithstanding the foregoing or anything contained herein or in the Loan Documents to the contrary a Letter of Credit may expire after the Maturity Date subject to the terms of Section 2.10 hereof, so long as there is: (x) no Event of Default under the Loan Documents; and (y) each such Letter of Credit is sufficiently collateralized with Collateral pursuant to the terms hereof and in Bank's sole but reasonable discretion, provided however that Bank shall have no obligation whatsoever to issue any Letters of Credit following the Maturity Date.

(i) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

Section 3. YIELD PROTECTION

Section 3.1 Making or Maintaining Index Rate Loans.

(a) Inability to Determine Applicable Interest Rate; Illegality or Impracticability. If the Lender at any time or from time to time determines that (i) the Index Rate is unavailable, (ii) the Index Rate cannot be determined, (iii) the Index Rate does not adequately reflect the cost to the Lender of making, funding, or maintaining any Loan, (iv) the use of the Index Rate has become impracticable or unreliable, (v) the Index Rate is no longer representative of the underlying market or economic reality, or (vi) it is no longer lawful for the Lender to lend at any rate based on the Index Rate, then, the Lender may elect to designate a substitute interest rate index (the "Replacement Index"). If the Lender designates a Replacement Index, the Lender may also determine at such time or from time to time thereafter that an Applicable Margin adjustment is necessary to produce a comparable interest rate to the interest rate that would have applied based on the Index Rate and the Applicable Margin. Upon such determination, the Lender will designate the Applicable Margin adjustment (which may be a positive or a negative number) and adjust the Applicable Margin accordingly (and the result will be the "Adjusted Margin"). The Lender will provide notice to the Borrower of the Replacement Index, any Applicable Margin adjustment, and the Adjusted Margin, as applicable, and their effective date. Thereafter, the Replacement Index shall be deemed to be and shall become the operative interest rate index for purposes of this Agreement and any other Credit Documents, and this Agreement shall continue to bear interest on the unpaid principal amount from the effective date of such designation(s) through repayment thereof at the Replacement Index plus the Applicable Margin or the Adjusted Margin, as applicable (subject to increase to or by any applicable default rate). In any event, the Replacement Index will not be less than zero percent (0%) per annum. The Replacement Index may not necessarily be the Lender's most favorable lending rate or interest rate index. Any determination or designation made by the Lender under this paragraph shall be made in Lender's sole and absolute discretion and shall be conclusive and binding absent manifest error. In connection with the implementation of a Replacement Index and, as applicable the Adjusted Margin, Lender may make any technical, administrative, or operational changes that may be appropriate to facilitate the administration thereof.

(b) Compensation for Breakage. The Borrower shall compensate the Lender, upon written request by the Lender (which request shall set forth the basis for requesting such amounts), for all reasonable out-of-pocket losses, expenses and liabilities (including any interest paid or calculated to be due and payable by the Lender to lenders of funds borrowed by it to make or carry its Index Rate Loans and any loss, expense or liability sustained by the Lender in connection with the liquidation or re-employment of such funds but excluding loss of anticipated profits) which the Lender sustains: (i) if for any reason (other than a default by the Lender) a Borrowing of any Index Rate Loans does not occur on a date specified therefor in a Funding Notice or a telephonic request for such Borrowing, or a conversion to or continuation of any Index Rate Loans does not occur on a date specified therefor in a Funding Notice or a telephonic request for such conversion or continuation; or (ii) if any prepayment of a Index Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower. A certificate of the Lender setting forth in reasonable detail the amount or amounts necessary to compensate the Lender and the circumstances giving rise thereto shall be delivered to the Borrower and shall be conclusive absent manifest error. In the absence of any such manifest error, the Borrower shall pay the Lender the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof. Notwithstanding the foregoing, Lender shall only assess such fees to Borrower if same are assessed to similarly situated borrowers and are not arbitrarily imposed by Lender.

Section 3.2 Increased Costs.

(a) Increased Costs Generally. The Borrower will pay the Lender, on demand, for the Lender's costs or losses arising from any Change in Law which are allocated to this Agreement, any Credit Document or any credit outstanding under or arising in connection with this Agreement and/or any other Credit Document. The allocation will be made as determined by the Lender, using any reasonable method. The costs include, without limitation, the following:

- (i) any reserve or deposit requirements; and
- (ii) any capital or liquidity ratios or requirements relating to the Lender's assets and commitments for credit.

Section 4. CONDITIONS PRECEDENT

Section 4.1 Conditions Precedent to Effectiveness. The effectiveness of this Agreement is subject to the satisfaction (or waiver by the Lender) of the following conditions:

(a) Pledgor shall have funded Account Number 1001033608 with Lender in the amount of \$7,000,000.00 (the "Investment Account") which is a wealth management trust account and can be used for only for investment in money market funds and shall maintain the balance of \$7,000,000.00 for the life of the Loan (the "Minimum Cash Balance");

(b) Borrower and Pledgor shall have executed and delivered in favor of Lender all Credit Documents required by Lender, including without limitation the Investment Account Pledge Agreement and the Control Agreement;

(c) Borrower and Pledgor shall have delivered all information and documentation as may be reasonably required by Lender.

Section 4.2 Conditions to Each Credit Extension. The obligation of the Lender to make any Credit Extension on any Credit Date, including the Closing Date, is subject to the satisfaction of the following conditions precedent: (a) the Lender shall have received a Funding Notice or Issuance Notice; (b) the representations and warranties of the Credit Parties contained herein and in the other Credit Documents shall be true and correct on and as of such Credit Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date; and (c) no Default shall have occurred and be continuing as of such Credit Date.

Section 5. REPRESENTATIONS AND WARRANTIES

Each Credit Party represents and warrants to the Lender as follows:

Section 5.1 Organization; Requisite Power and Authority; Qualification. The Borrower, Pledgor and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the applicable laws of its jurisdiction of organization, (b) has all requisite power and authority to execute, deliver and perform its obligations under the Credit Documents to which it is a party and (c) is qualified to do business and in good standing in every jurisdiction where necessary to carry out its business and operations, except where the failure to do so could not be reasonably expected to have a Material Adverse Effect.

Section 5.2 Equity Interests and Ownership. Schedule 5.2 correctly sets forth the ownership interest of the Borrower in its Subsidiaries as of the Closing Date. The equity interests of each Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable. Except as set forth on Schedule 5.2, as of the Closing Date, there is no existing option, warrant, call, right, commitment, buy-sell, voting trust or other shareholder agreement or other agreement to which any Subsidiary is a party requiring the issuance by any Subsidiary of any equity interests.

Section 5.3 Due Authorization. The execution, delivery and performance of each of the Credit Documents have been duly authorized by all necessary action on the part of each Credit Party that is a party thereto.

Section 5.4 No Conflict. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party do not (a) violate any applicable laws, any of the Organizational Documents of the Borrower or any Subsidiary or any order, judgment or decree of any Governmental Authority or arbitrator binding on any Credit Party; (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligations of any Credit Party; or (c) result in or require the creation or imposition of any Lien upon any property of any Credit Party (other than any Liens created under any of the Credit Documents in favor of the Lender).

Section 5.5 Governmental Consents. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party do not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority except for filings to perfect the Liens created by the Credit Documents and registrations, consent, approvals, notices and other actions which have been obtained or made.

Section 5.6 Due Execution and Delivery; Binding Obligation. Each Credit Document has been duly executed and delivered by each Credit Party that is a party thereto and is the legal, valid and binding obligation of each Credit Party that is a party thereto, enforceable against such Credit Party in accordance with its terms, except as may be limited by Debtor Relief Laws or by equitable principles relating to enforceability.

Section 5.7 Intentionally deleted.

Section 5.8 No Material Adverse Effect; No Default.

(a) No Material Adverse Effect. Since December 19, 2022, no event, circumstance or condition has occurred that has had or could reasonably be expected to have a Material Adverse Effect.

(b) No Default. No Default has occurred and is continuing.

Section 5.9 Tax Matters. The Borrower and its Subsidiaries have filed all federal, state and other material tax returns, and have paid all federal, state and other material taxes levied or imposed upon them or their respective properties, income, businesses and franchises otherwise due and payable, except for any such taxes that (a) have been finally settled or (b) are being actively contested in good faith and by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP.

Section 5.10 Properties.

(a) Title. The Borrower and its Subsidiaries have good title to all of their respective properties reflected in most recent financial statements delivered pursuant to Section 6.1, except for assets disposed of since the date of such financial statements.

(b) Real Estate. As of the Closing Date, Schedule 5.10(b) contains a true, accurate and complete list of all fee and leasehold interests of the Borrower and its Subsidiaries in real property and any other location where books and records related to Collateral are located.

(c) Intellectual Property. Each of the Borrower and its Subsidiaries owns or is validly licensed to use all intellectual property that is necessary for the conduct of its business and, to the knowledge of each Credit Party, is not infringing, misappropriating, diluting, or otherwise violating the intellectual property rights of any other Person except as could not reasonably be expected to have a Material Adverse Effect.

Section 5.11 Environmental Matters. (a) Neither the Borrower nor any Subsidiary nor any property or operations of the Borrower or any Subsidiary, and to their knowledge, no former property or operations of the Borrower or any Subsidiary, are subject to any outstanding order, consent decree or settlement agreement with any Person relating to any Environmental Law, any Environmental Claim or any Hazardous Materials Activity that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; (b) neither the Borrower nor any Subsidiary has received any letter or request for information under Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9604) or any comparable state law; (c) there are and, to each Credit Party's knowledge, have been, no Hazardous Materials Activities which could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any Subsidiary that could reasonably be expected to have a Material Adverse Effect; (d) neither the Borrower nor any Subsidiary has filed any notice under any Environmental Law indicating past or present treatment of Hazardous Materials at any of its facilities (solely during and with respect to such person's ownership thereof), and neither the Borrower's nor any Subsidiary's operations involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any equivalent state rule defining hazardous waste. Compliance with all current requirements pursuant to or under Environmental Laws could not be reasonably expected to have a Material Adverse Effect.

Section 5.12 No Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Credit Parties, threatened or contemplated, by or against the Borrower or any Subsidiary that (a) purport to affect or pertain to any of the Credit Documents or any transactions contemplated hereby or (b) could reasonably be expected to have a Material Adverse Effect.

Section 5.13 Information Regarding the Borrower and its Subsidiaries. Set forth on Schedule 5.13 is the jurisdiction of organization, chief executive office, exact legal name, U.S. tax payer identification number and organizational identification number of each Credit Party as of the Closing Date. Except as set forth on Schedule 5.13, no Credit Party thereof has during the four (4) years preceding the Closing Date (a) changed its legal name, (b) changed its state of formation or (c) been party to a merger, consolidation or other change in structure.

Section 5.14 Governmental Regulation.

(a) Neither the Borrower nor any Subsidiary is subject to regulation under the Investment Company Act of 1940. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

(b) No Credit Party or any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying and Margin Stock.

(c) Neither the Borrower nor any Subsidiary is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 *et seq.*).

(d) None of the Borrower, any of its Subsidiaries or any director or officer of the Borrower or any of its Subsidiaries is a Person that is, or is owned or controlled by Persons that are: (i) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State or other relevant sanctions authority (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions.

(e) The Borrower and its Subsidiaries are in compliance with the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1, *et seq.*, and any foreign counterpart thereto.

(f) To the extent applicable, each of the Borrower and its Subsidiaries is in compliance with Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "Patriot Act").

Section 5.15 Pension Plans. Neither the Borrower nor any of its Subsidiaries has a Pension Plan.

Section 5.16 Solvency. The Borrower individually is, and the Borrower and its Subsidiaries on a consolidated basis are, Solvent.

Section 5.17 Compliance with Laws. Each of the Borrower and its Subsidiaries is in compliance with all applicable laws except for non-compliance that could not reasonably be expected to result in a Material Adverse Effect. Each of the Borrower and its Subsidiaries possesses all certificates, authorities or permits issued by appropriate Governmental Authorities necessary to conduct the business now operated by them and the failure of which to have could reasonably be expected to have a Material Adverse Effect and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit the failure of which to have or retain could reasonably be expected to have a Material Adverse Effect.

Section 5.18 Disclosure. No representation or warranty of any Credit Party contained in any Credit Document or in any other documents, certificates or written statements furnished to the Lender by or on behalf of the Borrower or any Subsidiary for use in connection with the transactions contemplated hereby (other than projections and pro forma financial information contained in such materials) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in any material manner. Any projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by the Credit Parties to be reasonable at the time made. The information included in the Beneficial Ownership Certification is true and correct in all respects.

Section 5.19 Insurance.

(a) The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of such Persons, which insurance coverage is reasonably acceptable to the Lender.

Section 5.20 Labor Relations. There are no strikes, lockouts or other material labor disputes or grievances against the Borrower or any of its Subsidiaries, or, to the knowledge of the Borrower or any of its Subsidiaries, threatened against or affecting the Borrower or any of its Subsidiaries, and no significant unfair labor practice, charges or grievances are pending against the Borrower or any of its Subsidiaries, or to the knowledge of the Borrower or any of its Subsidiaries, threatened against any of them before any Governmental Authority. All payments due from the Borrower or any of its Subsidiaries pursuant to the provisions of any collective bargaining agreement have been paid or accrued as a liability on the books of the Borrower or any such Subsidiary, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, at all times prior to the date on which each of the following shall have occurred: (x) all Commitments have terminated, (y) all Obligations have been paid in full (other than contingent indemnification obligations), and (z) all reimbursement obligations under the Letters of Credit which are outstanding at the time of such termination shall have been sufficient collateralized with Collateral (in Bank's sole but reasonable discretion), Borrower shall and shall cause each of its Subsidiaries to:

Section 6.1 Financial Statements and Other Reports. Deliver to the Lender:

(a) Minimum Liquidity. Within forty five (45) days of the end of each fiscal quarter, the Investment Account will be measured to confirm that Pledgor has maintained a minimum cash balance of \$7,000,000.00.

(b) Annual Financial Statements. Within one hundred and twenty (120) days after the end of each fiscal year (i) the balance sheet of the Borrower as at the end of such fiscal year and the related consolidated and consolidating statements of income, stockholders' equity and cash flows of the Borrower for such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year (excluding the figures related to periods prior to June 17, 2021), in reasonable detail, together with an Authorized Officer Certification with respect thereto; and (ii) a report thereon from an independent certified public accountant reasonably acceptable to the Lender (it being understood that Grant Thornton is acceptable) which report shall be unqualified as to going concern and scope of audit, and shall state that such financial statements fairly present the financial position of the Borrower as at the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(c) Compliance Certificates. Together with each delivery of the financial statements pursuant to Section 6.1, a duly completed Compliance Certificate.

(d) Quarterly Financial Statements. Within forty five (45) days following Lender's written request, consolidated balance sheets and statements of income or operations and cash flows of the Borrower and its Subsidiaries on a quarterly basis for the then current fiscal year (including the fiscal year in which the Maturity Date occurs);

(e) Information Regarding Collateral. Each Credit Party will furnish to the Lender prior written notice of any change in such Credit Party's legal name, state of incorporation or formation, form of organization, Federal Taxpayer Identification Number or the location of any books and records related to the Collateral;

(f) Notice of Default, Material Adverse Effect and Termination of Material Contracts. Promptly upon any Authorized Officer of any Credit Party obtaining knowledge thereof, notice of (i) any Default, (ii) the occurrence of any event, circumstances or condition that has had or could reasonably be expected to have Material Adverse Effect, or (iii) any termination of a Material Contract or the occurrence of any default thereunder; and,

(g) Beneficial Ownership Certificate. Promptly, upon the occurrence thereof, any change to the information set forth in any Beneficial Ownership Certification that would result in a change to the list of beneficial owners set forth therein;

(h) Data Breach. Promptly, and in any event within five (5) Business Days, upon any Authorized Officer of any Credit Party obtaining knowledge thereof, notice of any material data breach affecting the Borrower or any of its Subsidiaries if such data breach would be reasonably likely to result in a Material Adverse Affect with respect to any Credit Party; and

(i) Other Information. Promptly, such other information with respect to the Borrower or any Subsidiary as from time to time may be reasonably requested by the Lender.

Each notice pursuant to clause (f) or clause (h) of this Section 6.1 shall be accompanied by a statement of an Authorized Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower and/or the other applicable Credit Party has taken and proposes to take with respect

thereto.

Section 6.2 Existence; Preservation. Preserve and keep in full force and effect its existence and all rights and franchises, licenses and permits material to its business.

Section 6.3 Payment of Taxes and Other Obligations. Pay (a) all federal, state and other material taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty or fine accrues thereon, and (b) all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto.

Section 6.4 Maintenance of Properties. Maintain in good repair, working order and condition, ordinary wear and tear excepted, all material properties used or useful in the business of the Borrower and its Subsidiaries.

Section 6.5 Insurance. Maintain, with financially sound and reputable insurers reasonably acceptable to the Lender (and not Affiliates of the Borrower) insurance, customarily carried or maintained under similar circumstances by Persons of established reputation engaged in similar businesses, in each case in such amounts, with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for such Persons which are reasonably required by Lender hereunder. Each such policy of insurance shall (a) in the case of each liability insurance policy, contain an additional insured clause or endorsement, reasonably satisfactory in form and substance to the Lender, that names the Lender, as an additional insured thereunder as its interests may appear, and (b) in the case of each property insurance policy, contain a lender's loss payable clause or endorsement, reasonably satisfactory in form and substance to the Lender, that names the Lender, as the lender's loss payee thereunder and (c) provide for at least thirty (30) days' prior written notice to the Lender of any modification or cancellation of such policy.

Section 6.6 Inspections. Permit representatives and independent contractors of the Lender to visit and inspect any of its properties or records, to conduct field audits and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired.

Section 6.7 Compliance with Laws and Contractual Obligations. Comply with (a) all applicable laws and (b) all contractual obligations, for which noncompliance with could reasonably be expected to have a Material Adverse Effect.

Section 6.8 Use of Proceeds. Use the proceeds of the Credit Extensions (a) for working capital and general corporate purposes, (b) to refinance, simultaneously with the closing of this Agreement, certain existing Indebtedness, and/or (c) to pay transaction fees, costs and expenses related to this Agreement and the other Credit Documents, in each case not in contravention of applicable laws or of any Credit Document.

Section 6.9 Pledge of Property.

(a) Investment Account. At all times hereunder, Pledgor shall cause the Investment Account and all Qualified Investments to be pledged to Lender to secure the Obligations pursuant to the Investment Account Pledge Agreement and to maintain a first priority security interest therein. Moreover, Pledgor and the each Credit Party shall execute and deliver all Collateral Documents as may be required from time to time to perfect Lender's security interest with respect to the Investment Account and the Qualified Investments, all in form, content and scope satisfactory to the Lender, and deliver such other documentation and take such other action as the Lender may reasonably request in connection with the foregoing, all in form, content and scope reasonably satisfactory to the Lender. Notwithstanding the foregoing or anything contained herein to the contrary, the Total Revolving Outstandings shall not at any time exceed the sum equal to ninety percent (90%) of the value of the Qualified Investments held in the Investment Account (the "Advance Threshold") as determined by Lender in its sole but reasonable discretion. In the event the Advance Threshold is exceeded at any time, Pledgor and/or Borrower shall be required to either: (i) purchase additional Qualified Investments in the Investment Account; or (ii) deposit with Lender within ten (10) calendar days sufficient collateral to remedy such shortfall which must be acceptable to Lender in its sole discretion.

Section 6.10 Books and Records. Keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities.

Section 6.11 Intentionally deleted.

Section 6.12 Depository Relationship. Cause the Credit Parties to maintain depository accounts with the Lender.

Section 6.13 Intentionally deleted.

Section 7. NEGATIVE COVENANTS

Borrower covenants and agrees that, at all times prior to the date on which each of the following shall have occurred: (x) all Commitments have terminated, (y) all Obligations have been paid in full, and (z) all reimbursement obligations under the Letters of Credit which are outstanding at the time of such termination shall have been sufficiently collateralized with Collateral (in Bank's sole but reasonable discretion), Borrower shall not:

Section 7.1 Indebtedness. Create, incur, assume or guaranty or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, other than: (a) Indebtedness owing to the Lender or its Affiliates; (b) Indebtedness of Borrower to any other Credit Party, to Affiliates of any other Credit Party, or to entities which control the Credit Parties or their Affiliates given in the ordinary course of business which would not be reasonably likely to cause a Material Adverse Effect; and (c) Guarantees with respect to Indebtedness permitted under another clause of this Section 7.1; and (d) intentionally deleted.

Section 7.2 Liens. Create, incur, assume or permit to exist any Lien on any of its property, except (collectively, "Permitted Liens"): (a) Liens in favor of the Lender; (b) Liens for taxes not yet due; (c) statutory Liens of landlords, banks, carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other Liens imposed by law (other than ERISA), in each case incurred in the ordinary course of business for amounts not yet overdue; (d) easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case which do not and will not interfere in any material respect with the ordinary conduct of the business of Borrower or any of its Subsidiaries, and (e) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money or other Indebtedness), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof.

Section 7.3 Restricted Payments. Declare or make any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that so long as no Default or Event of Default has occurred and is continuing at such time or would result therefrom: (a) each Subsidiary may make Restricted Payments to the Borrower or any other Subsidiary; (b) the Borrower may declare and make dividend payments or other distributions payable solely in the equity interests of such Person and the Preferred Return to the Class A Member of Borrower (as such terms are defined in the Sixth Amended and Restated Limited Liability Company Agreement of Borrower); and (c) the Borrower may make Permitted Tax Distributions.

Section 7.4 Burdensome Agreements. Enter into, or permit to exist, any contractual obligation that encumbers or restricts the ability of any such Person to (a) pay dividends or make any other distributions to Borrower on its equity interests or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to Borrower, (c) make loans or advances to any Borrower, (d) sell, lease or transfer any of its property to Borrower, (e) pledge its property pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof or (f) act as a Borrower pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(e) above) for (i) this Agreement and the other Credit Documents, (ii) any Permitted Lien or any document or instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien or (iii) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 7.8 pending the consummation of such sale.

Section 7.5 Investments. Make or own any Investment in any Person, except: (a) Investments in cash, certificates of deposit, U.S. treasury bills and other obligations of the federal government and readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission); (b) equity Investments made prior to the Closing Date in any Subsidiary; (c) Investments by a Credit Party in any other Credit Party; (d) guarantees to the extent permitted under Section 7.1(c); (e) Investments by any Subsidiary that is not a Credit Party in any other Subsidiary that is not a Credit Party; and (f) Investments constituting accounts receivable, trade debt and deposits for the purchase of goods, in each case made in the ordinary course of business.

Section 7.6 Intentionally deleted.

Section 7.7 Intentionally deleted.

Section 7.8 Fundamental Changes; Asset Sales. Enter into any merger or consolidation, or liquidate, wind-up or dissolve or make any Asset Sale, except (a) any Subsidiary may be merged with or into the Borrower or any other Subsidiary; provided, that if the Borrower is party thereto, the Borrower shall be the continuing or surviving Person; and (b) Asset Sales, the proceeds of which when aggregated with the proceeds of all other Asset Sales made within the same fiscal year, do not exceed \$500,000.00; provided, further, that (i) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof (determined in good faith by the applicable Credit Party) and (ii) all such consideration shall be paid in cash.

Section 7.9 Transactions with Affiliates. Enter into or permit to exist any transaction with any Affiliate of the Borrower or any Subsidiary on terms that are less favorable to the Borrower or such Subsidiary, as the case may be, than those that might be obtained at the time from a Person who is not an Affiliate of the Borrower or such Subsidiary; provided, that the foregoing restriction shall not apply to (a) any transaction between or among the Credit Parties and/or Pledgor or one of its Subsidiaries and (b) normal and reasonable compensation and reimbursement of expenses of officers and directors in the ordinary course of business.

Section 7.10 Use of Proceeds. (a) No portion of the proceeds of any Credit Extension shall be used (i) to refinance any commercial paper issued by a Credit Party or (ii) in any manner that causes such Credit Extension or the application of such proceeds to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System as in effect from time to time or any other regulation thereof or to violate the Securities Exchange Act of 1934 (the "Exchange Act"), and (b) the Borrower will not, directly or indirectly, use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as underwriter, advisor, investor, or otherwise).

Section 7.11 Conduct of Business. Engage in any business other than the businesses engaged in by the Borrower or such Subsidiary on the Closing Date and businesses that are substantially similar, related or incidental thereto.

Section 7.12 Fiscal Year. Change its fiscal year-end.

Section 7.13 Amendments to Organizational Agreements. Amend or permit any amendment to any of its Organizational Documents in a manner that is materially adverse to the Lender.

Section 7.14 Sales and Leasebacks. Enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

Section 8. EVENTS OF DEFAULT; REMEDIES; APPLICATION OF FUNDS.

Section 8.1 Events of Default. The occurrence of one or more of the following conditions or events shall constitute an "Event of Default":

(a) Failure to Make Payments When Due. Failure by any Credit Party to pay any amount hereunder when due for which the applicable Credit Party is liable; or

(b) Default in Other Agreements. (i) Failure of any Credit Party or any Subsidiary to pay when due any principal of or interest on or any other amount payable in respect of any Indebtedness beyond the grace or cure period, if any, provided therefor; (ii) any breach or default by any Credit Party or any Subsidiary with respect to any other term of any Indebtedness beyond the grace or cure period, if any, provided therefor, or any other event occurs, in each case, if the effect of such breach or default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee on behalf of such holder or holders) to cause, such Indebtedness to become or be declared due and payable (or subject to a compulsory repurchase or redeemable) prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be; or (iii) there occurs under any Swap Agreement an Early Termination Date (as defined in such Swap Agreement) resulting from (A) any event of default under such Swap Agreement as to which any Credit Party or any Subsidiary is the Defaulting Party (as defined in such Swap Agreement) or (B) any Termination Event (as defined in such Swap Agreement) under such Swap Agreement as to which any Credit Party or any Subsidiary is an Affected Party (as defined in such Swap Agreement); or

(c) Breach of Certain Covenants. Failure of any Credit Party to perform or comply with any term or condition contained in Section 6.1, Section 6.2, Section 6.6, Section 6.8, Section 6.9, or Section 7; or

(d) Other Defaults Under Credit Documents. Any Credit Party or Pledgor shall default in the performance of or compliance with any term contained herein or any of the other Credit Documents, other than any such term referred to in any other Section of this Section 8.1, and such default shall not have been remedied or waived within thirty (30) days thereof; or

(e) Breach of Representations, etc. Any representation, warranty, certification or other statement made or deemed made by any Credit Party or Pledgor in any Credit Document or in any statement or certificate at any time given by any Credit Party or Pledgor in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect as of the date made or deemed made; or

(f) Involuntary Bankruptcy; Appointment of Receiver, etc. (i) A court of competent jurisdiction shall enter a decree or order for relief in respect of any Credit Party, Pledgor or any Subsidiary in an involuntary case under Debtor Relief Laws, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (ii) an involuntary case shall be commenced against any Credit Party, Pledgor or any Subsidiary under Debtor Relief Laws; or a decree or

order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any Credit Party or any Subsidiary, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of any Credit Party, Pledgor or any Subsidiary for all or a substantial part of its property; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of any Credit Party, Pledgor or any Subsidiary, and any such event described in this clause (ii) shall continue for sixty (60) days without having been dismissed, bonded or discharged; or

(g) Voluntary Bankruptcy; Appointment of Receiver, etc. (i) Any Credit Party, Pledgor or any Subsidiary shall have an order for relief entered with respect to it or shall commence a voluntary case under Debtor Relief Laws, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or any Credit Party, Pledgor or any Subsidiary shall make any assignment for the benefit of creditors; or (ii) any Credit Party, Pledgor or any Subsidiary shall be unable, or shall fail generally, or shall admit in writing its inability, to pay its debts as such debts become due; or the board of directors (or similar governing body) of any Credit Party or any Subsidiary or any committee thereof shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to herein or in Section 8.1(f); or

(h) Judgments and Attachments. (i) Any one or more money judgments, writs or warrants of attachment or similar process involving an aggregate amount at any time in excess of the Threshold Amount shall be entered or filed against any Credit Party or any Subsidiary or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of sixty (60) days; or (ii) any non-monetary judgment or order shall be rendered against any Credit Party or any Subsidiary that could reasonably be expected to have a Material Adverse Effect; or

(i) Material Adverse Effect. There shall occur any event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect; or

(j) Change of Control. A Change of Control shall occur; or

(k) Invalidity of Credit Documents and Other Documents. At any time after the execution and delivery thereof, (i) this Agreement or any other Credit Document ceases to be in full force and effect, or the Lender shall not have or shall cease to have a valid and perfected Lien in any Collateral purported to be covered by the Collateral Documents, or (ii) any Credit Party shall contest the validity or enforceability of any Credit Document in writing or deny in writing that it has any further liability, including with respect to future advances by the Lender, under any Credit Document to which it is a party.

Section 8.2 Remedies. Upon the occurrence of any Event of Default described in Section 8.1(f) or Section 8.1(g), automatically, and upon the occurrence and during the continuance of any other Event of Default, upon notice to the Borrower by the Lender, (a) the Commitments and the obligation of the Lender to issue any Letter of Credit shall immediately terminate; (b) each of the following shall immediately become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each of the Credit Parties: (i) the unpaid principal amount of and accrued interest on the Loans and (ii) all other Obligations; and (c) the Lender may enforce any and all Liens and security interests created pursuant to Collateral Documents. Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default has been cured to the satisfaction of the Lender or waived in writing in accordance with the terms of Section 9.4.

Section 8.3 Application of Funds. After the exercise of remedies provided for in Section 8.2 (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by the Lender in the order determined by the Lender in its sole discretion.

Section 9. MISCELLANEOUS

Section 9.1 Notices; Effectiveness; Electronic Communications.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone and except as provided in subsection (b) below, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the telephone number, in each case specified in Schedule 9.1 for the applicable person. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received.

(b) Electronic Communications. Notices and other communications to the Credit Parties or the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Lender, provided that the foregoing shall not apply to notices to the Lender pursuant to Section 2 if the Lender has notified the Borrower that it is incapable of receiving notices under such Section by electronic communication.

(c) Change of Address, Etc. Any party hereto may change its address for notices and other communications hereunder by notice to the other parties hereto.

Section 9.2 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. Borrower shall pay all reasonable out-of-pocket expenses incurred by the Lender (including the reasonable out-of-pocket fees, charges and disbursements of counsel for the Lender) in connection with (A) the preparation, negotiation, execution, delivery and administration of this Agreement and the other Credit Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not consummated), (B) the enforcement or protection of its rights in connection with this Agreement and the other Credit Documents, and (C) the Loans made hereunder or Letters of Credit issued including its rights under this Section and all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit and (ii) all reasonable out-of-pocket expenses incurred by the Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder.

(b) Indemnification by the Credit Parties. The Credit Parties shall indemnify the Lender, its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of the Lender and of the Lender's Affiliates (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable out-of-pocket fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any Subsidiary) arising out of, in connection with, or as a result of (i) the execution or delivery of any Credit Document or any agreement or instrument contemplated thereby (including, without limitation, the Indemnitee's reliance on any Communication executed using an Electronic Signature or in the form of an Electronic Record that the Indemnitee reasonably believes to be made by an Authorized Officer), the performance by the parties hereto of their respective obligations thereunder or the consummation of the transactions contemplated thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any Subsidiary or any Environmental Liability or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any Subsidiary, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not,

as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, none of the Credit Parties shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Credit Document or any agreement or instrument contemplated thereby, the transactions contemplated thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with any Credit Document or the transactions contemplated hereby or thereby.

(d) Payments. All amounts due under this Section shall be payable promptly, but in any event within ten (10) Business Days after written demand therefor (including delivery of copies of applicable invoices).

Section 9.3 Set-Off. If an Event of Default shall have occurred and be continuing, the Lender and each of its respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable laws, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of any Credit Party against any and all of the obligations of such Credit Party now or hereafter existing under any Credit Document to the Lender or its Affiliates, irrespective of whether or not the Lender or such Affiliate shall have made any demand under any Credit Document and although such obligations of such Credit Party may be contingent or unmaturing or are owed to a branch, office or Affiliate of the Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender or its Affiliates may have. The Lender agrees to notify the Borrower promptly after any such setoff and application; provided, that the failure to give such notice shall not affect the validity of such setoff and application.

Section 9.4 Amendments and Waivers: Conflict. No amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall in any event be effective unless in a writing signed by the Lender. If the Lender shall identify an inconsistency, obvious error or omission of a technical or immaterial nature, in each case, in any provision of the Credit Documents, then the Lender shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Credit Documents if the same is not objected to in writing by the Borrower within five (5) Business Days following receipt of notice thereof. In the event of any conflict between the terms of this Agreement and the terms of the Credit Documents, the terms hereof shall supersede and control.

Section 9.5 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender. The Lender may assign or otherwise transfer, or, without limitation of Section 9.5(b), sell participations in, any of its rights or obligations hereunder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, participants of the Lender and, to the extent expressly contemplated hereby, the other Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) The Borrower understands that the Lender may from time to time enter into a participation agreement or agreements with one or more participants pursuant to which each such participant shall be given a participation in the Loan and that any such participant may from time to time similarly grant to one or more subparticipants participations in the Loans. The Borrower agrees that any participant or subparticipant may exercise any and all rights of banker's lien or set-off with respect to the Borrower, as fully as if such participant or subparticipant had made a loan directly to the Borrower in the amount of the participation or subparticipation given to such participant or subparticipant in the Loans. For the purposes of this Section 9.5(b) only, the Borrower shall be deemed to be directly obligated to each participant or subparticipant in the amount of its participation interest in the amount of the principal of, and interest on, the Loans. Nothing contained in this Section 9.5(b) shall affect the Lender's right of set-off (under Section 9.3 or applicable law) with respect to the entire amount of the Loans, notwithstanding any such participation or subparticipation. The Lender may divulge to any participant or subparticipant all information, reports, financial statements, certificates and documents obtained by it from the Borrower or any other person under any provision of the Agreement or otherwise.

Section 9.6 Survival of Representations, Warranties and Agreements. All representations, warranties and agreements made herein shall survive the execution and delivery hereof and the making of any Credit Extension. Notwithstanding anything herein or implied by law to the contrary, the agreements of each Credit Party set forth in Section 2.9, Section 3.1(b), Section 3.2, Section 9.2 and Section 9.3, shall survive the payment of the Loans the cancellation, expiration or cash collateralization of the Letters of Credit and the termination hereof.

Section 9.7 No Waiver; Remedies Cumulative. No failure or delay on the part of the Lender in the exercise of any power, right or privilege under any Credit Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. The rights, powers and remedies given to the Lender hereby are cumulative and shall be in addition to and independent of all rights, powers and remedies existing by virtue of any statute or rule of law or in any of the other Credit Documents, any Swap Agreement or any Treasury Management Agreement.

Section 9.8 Marshalling; Payments Set Aside. The Lender shall not be under any obligation to marshal any assets in favor of any Credit Party or any other Person or against or in payment of any or all of the Obligations. To the extent that any Credit Party makes a payment or payments to the Lender, or the Lender enforces any security interests or exercise its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any Debtor Relief Law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred.

Section 9.9 Severability. In case any provision in or obligation in any other Credit Document shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions or obligations, shall not in any way be affected or impaired thereby.

Section 9.10 Applicable Laws.

(a) Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Florida.

(b) Submission to Jurisdiction. Each party hereto irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of Florida sitting in Broward County and of the United States District Court for the Southern District of Florida, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Florida State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive

and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Credit Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against any Credit Party or Pledgor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Credit Document in any court referred to in subsection (b) of this Section 9.10. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

Section 9.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.12 Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged or agreed to be paid with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable laws shall not exceed the Highest Lawful Rate and, in the event any such excess payment is made by the Borrower or received by the Lender, such excess shall be credited to the payment of principal. In determining whether the interest contracted for, charged, or received by the Lender exceeds the Highest Lawful Rate, such Person may, to the extent permitted by applicable laws, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest, throughout the contemplated term of the Obligations hereunder.

Section 9.13 Counterparts; Integration; Effectiveness. This Agreement and the other Credit Documents may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Credit Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4, this Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means (e.g. "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.14 No Advisory of Fiduciary Relationship. The relationship between the Lender, on one hand, and the Credit Parties, on the other hand, is solely that of creditor and debtor. Neither Lender nor any of its Affiliates has any fiduciary relationship or duty to any Credit Party arising out of or in connection with, and there is no agency, tenancy or joint venture relationship between the Lender and its Affiliates and the Credit Parties by virtue of, any Credit Document or any transaction contemplated therein.

Section 9.15 Electronic Execution.

(a) This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a "Communication"), including Communications required to be in writing, may, if agreed by the Lender, be in the form of an Electronic Record and may be executed using Electronic Signatures, including, without limitation, facsimile and/or .pdf. The Credit Parties agree that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the Credit Parties to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Credit Parties enforceable against the Credit Parties in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Lender. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Lender of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Lender may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the Lender's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Lender is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Lender pursuant to procedures approved by it; provided, further, that, without limiting the foregoing, (i) to the extent the Lender has agreed to accept such Electronic Signature, the Lender shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Credit Party without further verification and (ii) upon the request of the Lender any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

(b) Each of the Credit Parties represents and warrants to the other parties hereto that it has the corporate capacity and authority to execute this Agreement and any other Communication through electronic means and there are no restrictions on doing so in such Person's constitutive documents.

(c) Each of the parties hereto hereby waives (i) any argument, defense or right to contest the legal effect, validity or enforceability of this Agreement or any other Credit Document based solely on the lack of paper original copies thereof, and (ii) any claim against the Lender for any liabilities arising solely from the Lender's reliance on or use of Electronic Signatures, including any liabilities arising as a result of the failure of the Credit Parties to use any available security measures in connection with the execution, delivery or transmission of any Electronic Signature.

Section 9.16 USA PATRIOT Act. The Lender hereby notifies each of the Credit Parties that pursuant to the requirements of the Patriot Act, the Lender is required to obtain, verify and record information that identifies each of the Credit Parties and each Person signing the Credit Documents on behalf of the Credit Parties, which information includes the name and address of each of the foregoing and other information that will allow the Lender to identify each of the foregoing in accordance with the Patriot Act.

[Signatures on Following Page(s)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWER: IT'SUGAR LLC, a Delaware limited liability company

By: /s/ Brett Sheppard
Name: Brett Sheppard
Title: Manager

PLEDGOR BBX CAPITAL REAL ESTATE LLC, a Florida limited liability company

By: /s/ Brett Sheppard
Name: Brett Sheppard
Title: Manager

LENDER: REGIONS BANK

By: /s/ Sydnee Renard
Name: Sydnee Renard
Title: Sr Business Relationship Manager

[Signature Page to Credit Agreement]
Schedule 1

Definitions

“Acquisition” means the acquisition in a single transaction or in a series of related transactions of all or any substantial portion of the property of, or a line of business, product line or division of, another Person or at least a majority of the equity interests of another Person, in each case whether or not involving a merger or consolidation with such other Person.

“Advance Threshold” shall have the meaning set forth in Section 6.9(a) of the Agreement.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Applicable Margin” means a percentage per annum equal to one-half of one percent (.50%).

“Asset Sale” means a sale, lease, sale and leaseback, assignment, conveyance, exclusive license (as licensor), transfer or other disposition of property (including the equity interests of any Subsidiary) to any Person in one transaction or a series of transactions by the Borrower or any Subsidiary other than (a) dispositions of surplus, obsolete or worn out property or property no longer used or useful in the business of the Borrower or any Subsidiary in the ordinary course of business; (b) dispositions of inventory sold, and intellectual property licensed, in the ordinary course of business; (c) dispositions of accounts receivable resulting from the compromise or settlement thereof for less than the full amount thereof in the ordinary course of business; (d) dispositions of Cash Equivalents in the ordinary course of business; and (e) licenses, sublicenses, leases or subleases granted to any third parties in arm’s-length commercial transactions in the ordinary course of business that do not interfere in any material respect with the business of the Borrower or any Subsidiary.

“Authorized Officer” means, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president, vice president (or the equivalent thereof), chief financial officer or treasurer.

“Authorized Officer Certification” means, with respect to the financial statements for which such certification is required, the certification of an Authorized Officer of the Borrower that such financial statements fairly present the financial condition of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy”.

“Beneficial Ownership Certification” means a certification regarding the beneficial ownership of and with respect to the Borrower.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type of Loan.

“Business Day” means (a) any day excluding Saturday, Sunday and any other day on which the Lender is in fact closed in the State of Florida, and (b) with respect to all notices, determinations, fundings and payments in connection with Index Rate Loans, the term “Business Day” means any day which is a Business Day described in clause (a) and which is also a SIFMA Business Day.

“Cash Equivalents” means, as of any date of determination, any of the following: (a) marketable securities (i) issued or directly and unconditionally guaranteed as to interest and principal by the United States government, or (ii) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one (1) year after such date; (b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one (1) year after such date and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody’s; (c) commercial paper maturing no more than one (1) year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody’s; (d) certificates of deposit or bankers’ acceptances maturing within one (1) year after such date and issued or accepted by the Lender or by any commercial bank organized under the laws of the United States or any state thereof or the

District of Columbia that (i) is at least “adequately capitalized” (as defined in the regulations of its primary federal banking regulator), and (ii) has Tier 1 capital (as defined in such regulations) of not less than \$100,000,000; and (e) shares of any money market mutual fund that (i) has substantially all of its assets invested continuously in the types of investments referred to in clauses (a) and (b) above, (ii) has net assets of not less than \$500,000,000, and (iii) has the highest rating obtainable from either S&P or Moody’s.

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith, (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, and (iii) all requests, rules, guidelines or directives issued by a Governmental Authority in connection with a Lender’s submission or re-submission of a capital plan under 12 C.F.R. § 225.8 or a Governmental Authority’s assessment thereof, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which a Subsidiary of BBX Capital, Inc. shall cease to own and control directly or indirectly, more than fifty percent (50%) of the outstanding equity interests of the Borrower.

“Collateral” means the collateral identified in, and at any time covered by, the Collateral Documents.

“Collateral Documents” means the Control Agreement, Investment Account Pledge Agreement and all other instruments, security agreements, mortgages and other documents and agreements delivered by any Credit Party pursuant to this Agreement or any of the other Credit Documents in order to grant to the Lender a Lien on any property as security for the Obligations.

“Commitments” means the Revolving Commitment.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*).

“Compliance Certificate” means a Compliance Certificate substantially in the form of Exhibit 6.1(c).

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote five percent (5%) or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

“Control Agreement” means that certain Account Control Agreement by and between Pledgor and Lender dated of even date herewith concerning the Investment Account.

“Credit Date” means the date of a Credit Extension.

“Credit Document” means any of this Agreement, the Note, Investment Account Pledge Agreement, each Issuer Document, each Collateral Document, and, to the extent evidencing or securing the Obligations, all other documents, instruments or agreements executed and delivered by any Credit Party and Pledgor for the benefit of the Lender in connection herewith or therewith.

“Credit Extension” means the making of a Loan or the issuance, amendment or increase of a Letter of Credit.

“Credit Parties” means the Borrower and the Pledgor.

“Debtor Relief Laws” means the Bankruptcy Code and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to the applicable Note Rate plus two (2%) percent per annum.

“Dollars” and the sign “\$” mean the lawful money of the United States.

“Entity Guarantors” means (a) with respect to all Obligations, each Person identified as an “Entity Guarantor” on the signature pages hereto or in the Guaranty Agreement and each other Person that joins as an Entity Guarantor pursuant to Section 7.11 and (b) with respect to Swap Obligations, Treasury Management Obligations and Swap Obligations of a Specified Credit Party (determined before giving effect to any applicable keepwell provision), the Borrower, and (c) in each case, their successors and permitted assigns.

“Environmental Claim” means any known investigation, written notice, notice of violation, written claim, action, suit, proceeding, written demand, abatement order or other written order or directive (conditional or otherwise) by any Person arising (a) pursuant to or in connection with any actual or alleged violation of any Environmental Law, (b) in connection with any Hazardous Material or any actual or alleged Hazardous Materials Activity or (c) in connection with any actual or alleged damage, injury, threat or harm to human health, safety, natural resources or the environment.

“Environmental Laws” means any and all current or future federal or state (or any subdivision of either of them) statutes, ordinances, orders, rules, regulations, judgments, authorizations or any other written requirements of Governmental Authorities relating to (a) any Hazardous Materials Activity, (b) the generation, use, storage, transportation or disposal of Hazardous Materials or (c) protection of human health and the environment from pollution, in any manner applicable to the Borrower or any Subsidiary or any property of the Borrower or any Subsidiary.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which Borrower or any Subsidiary assumed liability with respect to any of the foregoing.

“Equity Transaction” means any issuance or sale by the Borrower or any Subsidiary of its equity interest other than an issuance (a) to the Borrower or any Subsidiary, (b) in connection with a conversion of debt securities to equity or (c) in connection with the exercise by a present or former employee, officer or director under a stock incentive plan, stock option plan or other equity-based compensation plan or arrangement.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“ERISA Affiliate” means, as applied to any Person, (a) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of which that Person is a member; (b) any trade or business (whether or not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Internal Revenue Code of which that Person is a member; and (c) any member of an affiliated service group within the meaning of Section 414(m) or (o) of the Internal Revenue Code of which that Person, any corporation described in clause (a) above or any trade or business described in clause (b) above is a member.

“ERISA Event” means (a) a “reportable event” within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which notice to the PBGC has been waived by regulation); (b) the failure to meet the “minimum funding standard” as defined in of Section 412 of the Internal Revenue Code with respect to any Pension Plan or Multiemployer Plan; (c) the notice of intent to terminate a Pension Plan in a distress termination described in Section 4041(c) of ERISA; (d) the existence of any liability pursuant to Section 4063 or 4064 of ERISA; (e) the institution by the PBGC of proceedings to terminate any Pension Plan or the appointment of a trustee to administer any Pension Plan; (f) the imposition of liability pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA, each case reasonably likely to result in material liability; (g) the complete or partial withdrawal of the Borrower, any Subsidiary or any of their respective ERISA Affiliates from any Multiemployer Plan if such withdrawal is reasonably likely to result in material liability, or the receipt by the Borrower, any Subsidiary or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is insolvent or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA, if such insolvency or termination is reasonably likely to result in material liability; (h) the imposition of fines, penalties, taxes or related charges under Chapter 43 of the Internal Revenue Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Pension Plan if such fines, penalties, taxes or related charges are reasonably likely to result in material liability; (i) the assertion of a material claim (other than routine claims for benefits) against any Pension Plan other than a Multiemployer Plan or the assets thereof; or (k) the imposition of a lien pursuant to Section 430(k) of the Internal Revenue Code or pursuant to Section 303(k) or 4068 of ERISA.

“Extraordinary Receipt” means any cash received by or paid to or for the account of the Borrower or any Subsidiary not in the ordinary course of business, including tax refunds, pension plan reversions, proceeds of insurance (other than insurance proceeds of Involuntary Dispositions), indemnity payments and any purchase price adjustments; provided, that an Extraordinary Receipt shall not include cash receipts from proceeds of insurance or indemnity payments to the extent that such proceeds, awards or payments are received by the Borrower or any Subsidiary in respect of any third party claim against such Person and applied to pay (or to reimburse such Person for its prior payment of) such claim and the costs and expenses of such Person with respect thereto.

“Funded Debt” means, as to any Person at a particular time, all outstanding liabilities of such Person for borrowed money and other interest-bearing liabilities of such Person, including current and long term debt, less the non-current portion of Subordinated Liabilities; provided, that for the avoidance of doubt, “Funded Debt” shall not include operating lease liabilities.

“Funding Notice” means a notice substantially in the form of Exhibit 2.1.

“GAAP” means accounting principles generally accepted in the United States in effect as of the date of determination thereof.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank and any group or body charged with setting financial accounting or regulatory capital rules or standards).

“Guarantee” means, as to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly. The term “Guarantee” as a verb has a corresponding meaning.

“Hazardous Materials” means any hazardous substances defined by the Comprehensive Environmental Response Compensation and Liability Act, 42 USCA 9601, et. seq., as amended, including any hazardous waste as defined under 40 C.F.R. Parts 260-270, gasoline or petroleum (including crude oil or any fraction thereof), asbestos or polychlorinated biphenyls.

“Hazardous Materials Activity” means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

“Highest Lawful Rate” means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under applicable laws relating to the Lender which are currently in effect or, to the extent allowed under such applicable laws, which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP: (a) all Funded Debt; (b) net obligations under any Swap Agreement (determined based on the applicable Swap Termination Value); (c) all Guarantees in respect of Indebtedness of another Person; and (d) all Indebtedness of the types referred to in clauses (a) through (c) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which the Borrower or a Subsidiary is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to the Borrower or such Subsidiary.

“Index Rate” means, for any Index Rate Determination Date, the rate per annum equal to the Prime Rate. Notwithstanding anything contained herein to the contrary, the Index Rate shall not be less than zero.

“Index Rate Determination Date” means the Closing Date and each Business Day thereafter.

“Index Rate Loan” means a Loan bearing interest at a rate determined by reference to the Index Rate.

“Interest Payment Date” means the last Business Day of each calendar month.

“Internal Revenue Code” means the Internal Revenue Code of 1986.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of equity interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) an Acquisition. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Investment Account” means that certain investment account owned by Pledgor and maintained with Lender (or its Affiliate) with respect to Investments, including the Qualified Investments, which bears Account Number 1001033608.

“Investment Account Pledge Agreement” or “Pledge Agreement” means that certain Investment Account Pledge and Security Agreement dated of even date herewith by and between Pledgor and Lender with respect to the Investment Account.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

“Issuance Notice” means an Issuance Notice substantially in the form of Exhibit [2.2].

“Issuer Documents” means with respect to any Letter of Credit, the Letter of Credit Application and any other document, agreement and instrument entered into by the Lender and the Borrower (or any Subsidiary) or in favor of the Lender and relating to such Letter of Credit.

“Letter of Credit” means any letter of credit issued hereunder providing for the payment of cash upon the honoring of a presentation thereunder. A Letter of Credit hereunder shall be a standby letter of credit.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the Lender.

“Letter of Credit Obligations” means, at any time, the sum of (a) the maximum amount available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referenced therein, plus (b) the aggregate amount of all drawings under Letters of Credit that have not been reimbursed by the Borrower. For all purposes of this Agreement, (i) amounts available to be drawn under Letters of Credit will be calculated as provided in Section 1.3(e) and (ii) if a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Letter of Credit Sublimit” means, as of any date of determination, the lesser of (a) \$2,000,000.00 and (b) the amount of the Revolving Commitment then in effect.

“Involuntary Disposition” means the receipt by the Borrower or any Subsidiary of any cash insurance proceeds or condemnation awards payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of its property.

“Lien” means (a) any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease or license in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing, and (b) in the case of equity interests, any purchase option, call or similar right of a third party with respect to such equity interests.

“Loan” means the Revolving Loan.

“Margin Stock” means as defined in Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

“Material Adverse Effect” means any effect, event, condition, action, omission, change or state of facts that, individually or in the aggregate, has resulted in, or could reasonably be expected to result in, a material adverse effect with respect to (a) the business operations, properties, assets or financial condition of the Borrower and its Subsidiaries taken as a whole; (b) the ability of any Credit Party, to fully and timely perform its obligations under the Credit Documents; (c) the legality, validity, binding effect or enforceability against a Credit Party of any Credit Document to which it is a party; (d) the value of the whole or any material part of the Collateral or the priority of Liens in favor of the Lender in the whole or any material part of the Collateral; or (e) the rights, remedies and benefits available to, or conferred upon, the Lender under any Credit Document.

“Material Contract” means with respect to the Borrower and its Subsidiaries: (a) all agreements, indentures or notes governing the terms of any Indebtedness with an aggregate principal amount in excess of the Threshold Amount, (b) all employment and non-compete agreements with senior management, (c) all leases of real property, and (d) all other agreements, documents, contracts, indentures and instruments pursuant to which (i) the Borrower or any of its Subsidiaries are obligated to make payments in any twelve (12) month period of \$1,000,000 or more, (ii) the Borrower or any of its Subsidiaries expects to receive revenue in any twelve (12) month period of \$1,000,000 or more or (iii) a default, breach or termination thereof could reasonably be expected to result in a Material Adverse Effect.

“Maturity Date” means June 20, 2025; provided, however, that, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Multiemployer Plan” means any “multiemployer plan” as defined in Section 3(37) of ERISA which is sponsored, maintained or contributed to by, or required to be contributed to by, any Credit Party or any of its ERISA Affiliates.

“Net Cash Proceeds” means the aggregate proceeds paid in cash or Cash Equivalents received by the Borrower or any Subsidiary in connection with any Asset Sale, Involuntary Disposition, Extraordinary Receipt or Equity Transaction net of (a) direct costs incurred or estimated costs for which reserves are maintained in connection therewith (including legal, accounting and investment banking fees and expenses, sales commissions and underwriting discounts), (b) estimated taxes paid or payable (including sales, use or other transactional taxes and any net marginal increase in income taxes) as a result thereof and (c) the amount required to retire any Indebtedness secured by a Permitted Lien on the related property. For purposes hereof, “Net Cash Proceeds” includes any cash or Cash Equivalents received upon the disposition of any non-cash consideration received by the Borrower or any Subsidiary in any Asset Sale, Involuntary Disposition, Extraordinary Receipt or Equity Transaction.

“Note” means the Amended, Restated and Increased Revolving Line of Credit Promissory Note dated as of the Effective Date executed by Borrower in favor of Lender in connection with the Loan, as the same may be amended, modified, supplemented or split from time to time.

“Note Rate” means the rate of interest assessed in connection with the Note calculated based on subtracting 1.5% from the Prime Rate with respect to the Interest Period in question.

“Obligations” means all obligations, indebtedness and other liabilities of every nature of (a) each Credit Party and Pledgor from time to time owed to the Lender, any of its Affiliates or any Indemnitee under any Credit Document, Swap Agreement or Treasury Management Agreement and (b) each Subsidiary of a Credit Party from time to time owed to the Lender or any of its Affiliates under any Credit Document, Swap Agreement or Treasury Management Agreement, in each case, together with all renewals, extensions, modifications or refinancings of any of the foregoing, whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to such Credit Party or Subsidiary of a Credit Party, would have accrued on any Obligation, whether or not a claim is allowed against such Credit Party or Subsidiary of a Credit Party for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit that have not been cash collateralized with Collateral pursuant to the terms of this Agreement and the Investment Account Pledge Agreement, payments for early termination of Swap Agreements, fees, expenses, indemnification or otherwise. Notwithstanding anything to the contrary contained herein or under any of the other Credit Documents, the obligations of any Credit Party or any Subsidiary of a Credit Party under any Swap Agreement or any Treasury Management Agreement shall be secured and guaranteed pursuant to the Credit Documents only to the extent that, and for so long as, the Obligations (other than any Obligations with respect to Swap Agreements and Treasury Management Agreements) are so secured and guaranteed.

“Organizational Documents” means (a) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by-laws, as amended, (b) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (c) with respect to any general partnership, its partnership agreement, as amended, and (d) with respect to any limited liability company, its articles of organization, certificate of formation or comparable documents, as amended, and its operating agreement, as amended. In the event any term or condition of this Agreement or any other Credit Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such “Organizational Document” shall only be to a document of a type customarily certified by such governmental official.

“Outstanding Amount” means (a) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans occurring on such date; and (b) with respect to any Letter of Credit Obligations on any date, the aggregate outstanding amount of such Letter of Credit Obligations on such date after giving effect to any Credit Extension of a Letter of Credit occurring on such date and any other changes in the amount of the Letter of Credit Obligations as of such date, including as a result of any reimbursements by the Borrower of any drawing under any Letter of Credit.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereto.

“Pension Plan” means any “employee pension benefit plan” as defined in Section 3(2) of ERISA other than a Multiemployer Plan, and which is sponsored, maintained or contributed to by, or required to be contributed to by, any Credit Party or any of its ERISA Affiliates.

“Permitted Tax Distribution” means a cash distribution made by the Borrower (with respect to any period for which the Borrower is a limited liability company, partnership or S corporation) to the holders of its equity interests to provide such holders with funds to pay any federal, state or local income taxes attributable to such holders’ ownership interest in the Borrower.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Pledgor” means BBX Capital Real Estate LLC, a Florida limited liability company.

“Prime Rate” means the per annum rate which the Lender publicly announces from time to time to be its prime lending rate, as in effect from time to time. The Lender’s prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers.

“Qualified Investments” means Treasury Bills, Notes and Bonds or such other Cash Equivalents as are reasonably acceptable to Lender in its sole discretion.

“Release” means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Material into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Material), including the movement of any Hazardous Material through the air, soil, surface water or groundwater.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any equity interests of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such equity interests or on account of any return of capital to its stockholders, partners or members (or the equivalent Person thereof), or any setting apart of funds or property for any of the foregoing.

“Revolving Commitment” means the commitment of the Lender to make the Revolving Loan and issue Letters of Credit hereunder. The amount of the Revolving Commitment as of the Closing Date is \$7,000,000.00.

“Revolving Commitment Period” means the period from and including the Closing Date to the earlier of (a) the Maturity Date and (b) the date on which the Revolving Commitment shall have been terminated as provided herein.

“Solvent” or “Solvency” means, with respect to any Person as of a particular date, that on such date (a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the ordinary course of business, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature in their ordinary course, (c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person’s property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (d) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (e) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Specified Credit Party” means, any Credit Party that is, at the time on which the Guaranty Agreement (or grant of security interest, as applicable) becomes effective with respect to a Swap Obligation, a corporation, partnership, proprietorship, organization, trust or other entity that would not be an “eligible contract participant” under the Commodity Exchange Act at such time but for the effect of the keepwell provision under the Guaranty Agreement.

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than fifty percent (50%) of the total voting power of equity interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person, or the accounts of which would be consolidated with those of such Person in its consolidated financial statements in accordance with GAAP, if such statements were prepared as of such date, or one or more of the other Subsidiaries of that Person or a combination thereof; provided, that, in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a “qualifying share” of the former Person shall be deemed to be outstanding. Unless otherwise provided, “Subsidiary” shall refer to a Subsidiary of the Borrower.

“Swap Agreement” means, as between any Credit Party or any Subsidiary of a Credit Party, on the one hand, and the Lender or any of its Affiliates, on the other hand, (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, currency swap transactions, cross-currency rate swap transactions, currency options, cap transactions, floor transactions, collar transactions, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options or warrants to enter into any of the foregoing), whether or not any such transaction is governed by, or otherwise subject to, any master agreement or any netting agreement, and (b) any and all transactions or arrangements of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement (or similar documentation) published from time to time by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such agreement or documentation, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Obligations” means all obligations owing to the Lender or any of its Affiliates in connection with any Swap Agreement including any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement, any and all renewals, extensions and modifications of any Swap Agreement and any and all substitutions for any Swap Agreement, including all fees, costs, expenses and indemnities, whether primary, secondary, direct, fixed or otherwise (including any monetary obligations incurred during the pendency of any bankruptcy or insolvency proceedings, regardless of whether allowed or allowable in such bankruptcy or insolvency proceedings), in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

“Swap Termination Value” means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, (a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Agreements (which may include the Lender or any Affiliate of the Lender).

“Threshold Amount” means \$250,000.00.

“Treasury Bills, Notes and Bonds” means any United States direct obligation that has a maturity of not more than five (5) years from the date of purchase for which the full faith and credit of the United States are pledged.

“Treasury Management Agreement” means any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearinghouse, commercial credit cards, purchasing cards, cardless e-payable services, debit cards, stored value cards, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services between any Credit Party or any Subsidiary of a Credit Party, on the one hand, and the Lender or any of its Affiliates, on the other hand.

“Treasury Management Obligations” means all obligations owing to the Lender or any of its Affiliates under a Treasury Management Agreement, including all fees, costs, expenses and indemnities, whether primary, secondary, direct, fixed or otherwise (including any monetary obligations incurred during the pendency of any bankruptcy or insolvency proceedings, regardless of whether allowed or allowable in such bankruptcy or insolvency proceedings), in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

“Total Revolving Outstandings” means the aggregate Outstanding Amount of the Revolving Loan and all Letter of Credit Obligations.

“UCC” means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in the State of Florida (or any other applicable jurisdiction, as the context may require).

“United States” or “U.S.” means the United States of America.

Exhibit [2.1]

Form of Funding Notice

Date: _____, 20__

To: Regions Bank

Re: Amended and Restated Credit Agreement dated as of [_____] (as amended, restated, supplemented, increased, extended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among IT’SUGAR LLC, a Delaware limited liability company (the “Borrower”), the Pledgor and Regions Bank (the “Lender”). Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The undersigned hereby requests (select one):

1. A Borrowing in connection with the Revolving Loan.
2. On the following Credit Date: _____, 20__ (which is a Business Day).
3. In the amount of \$_____.
4. As of the date hereof, the Total Revolving Outstandings is in the amount of [_____].

The Borrower hereby represents and warrants that after giving effect to the Borrowing of the requested Revolving Loan, the Total Revolving Outstandings shall not exceed the lesser of: (i) the Advance Threshold; or (ii) the Revolving Commitment.

The Borrower hereby represents and warrants that each of the conditions set forth in Section 4.2 of the Credit Agreement has been satisfied on and as of the date of such Borrowing.

[Signature on Following Page]



BORROWER:

IT'SUGAR LLC, a Delaware limited liability company

By: _____

Name:

Title:

Exhibit [2.2]

[Form of] Issuance Notice

Date: _____, 20__

To: Regions Bank

Re: Credit Agreement dated as of [_____] (as amended, restated, supplemented, increased, extended, supplemented or otherwise modified from time to time, the "Credit Agreement") among [_____] a [_____] (the "Borrower"), the Entity Guarantors party thereto and Regions Bank (the "Lender"). Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

Pursuant to Section 2.10 of the Credit Agreement, the undersigned hereby desires a Letter of Credit to be issued to _____ by Regions Bank in accordance with the terms and conditions of the Credit Agreement on _____, 20__ (the "Credit Date") in an aggregate face amount of \$_____.

Attached hereto for each such Letter of Credit is a letter of credit application.

The Borrower hereby represents and warrants that after issuing such Letter of Credit requested on the Credit Date, in no event shall (x) the Total Revolving Outstandings exceed the Revolving Commitment, and (y) the Outstanding Amount of Letter of Credit Obligations exceed the Letter of Credit Sublimit.

The undersigned Borrower hereby represents and warrants that each of the conditions set forth in Section 4.2 of the Credit Agreement has been satisfied on and as of the date of such issuance of such Letter of Credit on the Credit Date.

[Signature on Following Page]

BORROWER:

IT'SUGAR LLC, a Delaware limited liability company

By: _____

Name:

Title:

Exhibit [6.1(c)]

[Form of] Compliance Certificate

Date: _____, 20__

To: Regions Bank

Re: Amended and Restated Credit Agreement dated as of [_____] (as amended, restated, supplemented, increased, extended, supplemented or otherwise modified from time to time, the "Credit Agreement") among ITSUGAR LLC, a Delaware limited liability company (the "Borrower"), the Pledgor and Regions Bank (the "Lender"). Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

Ladies and Gentlemen:

The undersigned hereby certifies as of the date hereof that [he/she] is the _____ of the Borrower, and that, in [his/her] capacity as such, [he/she] is authorized to execute and deliver this certificate (including the schedules attached hereto and made a party hereof, if any, this "Compliance Certificate") to the Lender on behalf of the Borrower and Pledgor (the "Credit Parties"), and that:

1. Intentionally deleted.
2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made, a detailed review of the transactions and financial condition of the Borrower and its Subsidiaries.
3. A review of the activities of the Credit Parties during such fiscal period has been made under the supervision of the undersigned with a view to determining whether a Default or Event of Default exists, and

[select one:]

[to the knowledge of the undersigned during such fiscal period, no Default or Event of Default exists as of the date hereof.]

[or:]

[the following is a list of each Default or Event of Default, the nature and extent thereof and the proposed actions with respect thereto:]

4. Intentionally deleted.
5. Intentionally deleted.

[Signature on Following Page]

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of _____, 20__.

[BORROWER]

By: _____
Name:
Title:



