Woodbridge Holdings Corp (Formerly Levitt Corp)
Form 10-K
March 19, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Year Ended December 31, 2008

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number
001-31931
WOODBRIDGE HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Florida	**11-3675068**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 West Cypress Creek Road Ft. Lauderdale, Florida	**33309**
(Address of principal executive offices)	(Zip Code)

(954) 940-4950
(Registrant s telephone number, including area code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Class A Common Stock, Par Value $0.01 Per Share	**Pink Sheet Electronic Quotation Service**
(Title of each class)	(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of June 30, 2008, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $88.2 million based on the $5.80 closing sale price as reported on the New York Stock Exchange. The number of shares outstanding for each of the registrant s classes of common stock, as of March 12, 2009 is as follows:

Class of Common Stock	Shares Outstanding
Class A common stock, $0.01 par value	16,656,525
Class B common stock, $0.01 par value	243,807

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement relating to the registrant s 2009 Annual Meeting of Shareholders are incorporated by reference in Part III of this report. The financial statements of Bluegreen Corporation are incorporated by reference in Part II of this report and are filed as an exhibit to this report.

Woodbridge Holdings Corporation
Annual Report on Form 10-K for the year ended December 31, 2008
TABLE OF CONTENTS

Table of Contents

PART I

Some of the statements contained or incorporated by reference herein include 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), that involve substantial risks and uncertainties. Some of the forward-looking statements can be identified by the use of words such as anticipate, believe, estimate, may, intend, expect, will, should, seek or other similar expressions. Forward-looking statements are based lar management s expectations and involve inherent risks and uncertainties described in this report. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements in this report, including those identified under Item 1A. Risk Factors. These risks are subject to change based on factors which are, in many instances, beyond the Company s control. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including: the impact of economic, competitive and other factors affecting the Company and its operations; the market for real estate in the areas where the Company has developments, including the impact of market conditions on the Company s margins and the fair value of our real estate inventory; the risk that the value of the property held by Core Communities may decline, including as a result of the current downturn in the residential and commercial real estate and homebuilding industries; the risk that the development of parcels and master-planned communities will not be completed as anticipated; continued declines in the estimated fair value of our real estate inventory and the potential for write-downs or impairment charges; the effects of increases in interest rates and availability of credit to buyers of our inventory; accelerated principal payments on our debt obligations due to re-margining or curtailment payment requirements; the ability to obtain financing and to renew existing credit facilities on acceptable terms, if at all; the Company s ability to access additional capital on acceptable terms, if at all; the risks associated with the Company s business strategy, including the Company s ability to successfully make investments notwithstanding current adverse conditions in the economy and the credit markets; and the Company s success at managing the risks involved in the foregoing. Many of these factors are beyond our control. The Company cautions that the foregoing factors are not exclusive.

ITEM 1. BUSINESS

General Description of Business

Woodbridge Holdings Corporation (Woodbridge, we, us, our, or the Company) (formerly Levitt Corporat directly and through its wholly owned subsidiaries, historically has been a real estate development company with activities in the Southeastern United States. We were organized in December 1982 under the laws of the State of Florida. Historically, our operations were primarily within the real estate industry; however, our current business strategy includes the pursuit of investments and acquisitions within or outside of the real estate industry, as well as the continued development of master-planned communities. Under this business model, we likely will not generate a consistent earnings stream and the composition of our revenues may vary widely due to factors inherent in a particular investment, including the maturity and cyclical nature of, and market conditions relating to, the business invested in. Net investment gains and other income will be based primarily on the success of our investments as well as overall market conditions.

Business Segments

In 2008, Woodbridge engaged in business activities through the Land Division, consisting of the operations of Core Communities, LLC (Core Communities or Core), which develops master-planned communities, and through the Other Operations segment (Other Operations), which includes the parent company operations of Woodbridge (the Parent Company), the consolidated operations of Pizza Fusion Holdings, Inc. (Pizza Fusion), the consolidated operations of Carolina Oak Homes, LLC (Carolina Oak), which engaged in homebuilding in South Carolina prior to the suspension of those activities during the fourth quarter of 2008, and other activities through Cypress Creek Capital Holdings, LLC (Cypress Creek Capital) and Snapper Creek Equity Management, LLC (Snapper Creek). An equity investment in

Table of Contents

Bluegreen Corporation (Bluegreen) and an investment in Office Depot, Inc. (Office Depot) are also included in the Other Operations segment.

Until November 9, 2007, the Company also engaged in homebuilding activities through Levitt and Sons, LLC (Levitt and Sons) and reported results of operations through two additional reporting segments, Primary Homebuilding and Tennessee Homebuilding. On November 9, 2007, Levitt and Sons filed a voluntary bankruptcy petition and, accordingly, the Company deconsolidated Levitt and Sons as of that date. As a result of the deconsolidation of Levitt and Sons, the results of operations of the Primary Homebuilding segment, with the exception of Carolina Oak, and Tennessee Homebuilding segments were only included as separate segments through November 9, 2007, the date of Woodbridge s deconsolidation of Levitt and Sons (see Note 24 to our audited consolidated financial statements included in Item 8 for financial information of Levitt and Sons). The presentation and allocation of the assets, liabilities and results of operations of each segment may not reflect the actual economic costs of the segment as a stand-alone business. If a different basis of allocation were utilized, the relative contributions of the segment might differ but, in management s view, the relative trends in segments would not likely be impacted. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and (Note 21) to our audited consolidated financial statements contained under Item 8. Financial Statements and Supplementary Data for a discussion of trends, results of operations, and other relevant information on each segment.

Land Division

Core Communities was founded in May 1996 to develop a master planned community in Port St. Lucie, Florida now known as St. Lucie West. Historically, its activities focused on the development of a master-planned community in Port St. Lucie, Florida called Tradition, Florida and a community outside of Hardeeville, South Carolina called Tradition Hilton Head. Tradition, Florida has been in active development for several years, while Tradition Hilton Head is in the early stage of development. As a master-planned community developer, Core Communities engages in four primary activities: (i) the acquisition of large tracts of raw land; (ii) planning, entitlement and infrastructure development; (iii) the sale of entitled land and/or developed lots to homebuilders and commercial, industrial and institutional end-users; and (iv) the development and leasing of commercial space to commercial, industrial and institutional end-users.

St. Lucie West is a 4,600 acre master-planned community located in St. Lucie County, Florida. It is bordered by Interstate 95 to the west and Florida s Turnpike to the east. The community blends residential, commercial and industrial developments where residents have access to commerce, recreation, entertainment, religious, and educational facilities all within the community. St. Lucie West is completely sold out and substantially built out. There are more than 6,000 homes in St. Lucie West housing nearly 15,000 residents.

Tradition, Florida encompasses more than 8,200 total acres and is planned to include a 4.5-mile long employment corridor along I-95, educational and health care facilities, commercial properties, residential developments and other uses in a series of mixed-use parcels. As part of the employment corridor, a 120-acre research park is being marketed as the Florida Center for Innovation at Tradition (FCI), within which the Torrey Pines Institute for Molecular Studies (TPIMS) has built its new headquarters. FCI is planned to consist of just under two million square feet of research and development space, a 300 bed Martin Memorial Health Systems hospital, a 27-acre lake with a 1-mile fitness trail and recreational amenities, state-of-the-art fiber optic cabling, underground electrical power and proximity to high-quality housing, restaurants, hotels and shopping. Mann Research Center also purchased a 22.4 acre parcel within the FCI on which it intends to build a 400,000-square-foot life sciences complex. Oregon Health & Science University s Vaccine and Gene Therapy Institute also announced plans to locate a 120,000-square-foot facility within FCI. Special assessment bonds are being utilized to provide financing for certain infrastructure developments.

Tradition Hilton Head encompasses almost 5,400 total acres and is currently entitled for up to 9,500 residential units and 1.5 million square feet of commercial space, in addition to recreational areas, educational facilities and emergency services.

Table of Contents

Our Land Division recorded $11.3 million in sales in 2008 compared to $16.6 million in 2007 as demand for residential and commercial inventory in Florida remained slow. The overall slowdown in the real estate markets and disruptions in credit markets continue to have a negative effect on demand for residential land in our Land Division which historically was partially mitigated by increased commercial leasing revenue. Traffic at the Tradition, Florida information center remains slow, reflecting the overall state of the Florida real estate market. In response to these market conditions, the Land Division has concentrated on commercial property. In addition to sales of parcels to developers, the Land Division plans to continue to internally develop certain projects for leasing to third parties subject to market demand. Core generated higher revenues in 2008 compared to 2007 due to increased rental income associated with the leasing of certain commercial properties and increased revenues relating to irrigation services provided to homebuilders, commercial users, and the residents of Tradition, Florida. Retailers at Tradition, Florida include nationally branded retail stores such as Target, Babies R Us, Bed, Bath and Beyond, Office Max, The Sports Authority, TJ Maxx, Petsmart, LA Fitness and Old Navy.

Our Land Division s land in development and relevant data as of December 31, 2008 were as follows:

	Date Acquired	Acres Acquired	Closed Acres (a)	Current Inventory	Non-Saleable Acres (b)	Saleable Acres (b)	Third Acres Backlog	Acres Available
Currently in Development								
Tradition, Florida	1998 2004	8,246	1,831	6,415	2,583	3,832		3,832
Tradition Hilton Head	2005	5,390	166	5,224	2,417	2,807	10	2,797
Total Currently in Development		**13,636**	**1,997**	**11,639**	**5,000**	**6,639**	**10**	**6,629**

(a) Closed acres for Tradition Hilton Head include 150 acres owned by Carolina Oak, a wholly owned subsidiary of Woodbridge. The revenue from this sale was eliminated in consolidation.

(b) Actual saleable and non-saleable acres may vary over time due to changes in zoning, project design, or other factors. Non-saleable acres include, but are not limited to, areas set aside for roads, parks, schools, utilities, wetlands and other public purposes.

Other Operations

Other Operations consist of the operations of our Parent Company, Carolina Oak, and Pizza Fusion, other activities through Cypress Creek Capital and Snapper Creek, our equity investment in Bluegreen and an investment in Office Depot.

Investment in Bluegreen Corporation

We own approximately 9.5 million shares of the outstanding common stock of Bluegreen, which represents approximately 31% of that company s issued and outstanding common stock. Bluegreen is a leading provider of vacation and residential lifestyle choices through its resorts and residential community businesses. Bluegreen is organized into two divisions: Bluegreen Resorts and Bluegreen Communities.

Bluegreen Resorts acquires, develops and markets vacation ownership interests (VOIs) in resorts generally located in popular high-volume, drive-to vacation destinations. Bluegreen Communities acquires, develops and subdivides property and markets residential land homesites, the majority of which are sold directly to retail customers who seek to build a home in a high quality residential setting, in some cases on properties featuring a golf course and related amenities.

Bluegreen also generates significant interest income through its financing of individual purchasers of VOIs and, to a nominal extent, homesites sold by its Bluegreen Communities division.

During 2008, we began evaluating our investment in Bluegreen for other-than-temporary impairment in accordance with Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 115-1/FAS 124-1, *The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments* (FSP FAS 115-1/FAS 124-1), Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* , (APB No. 18) and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 59 (SAB No. 59) as the fair value of the Bluegreen stock had fallen below the carrying value of our investment in Bluegreen of approximately $12 per share. We analyzed various quantitative and qualitative factors including our intent and ability to hold the investment, the severity and duration of the impairment and the prospects for the improvement of fair value. On July 21, 2008, Bluegreen s Board of Directors entered into a non-binding letter of intent for the sale of Bluegreen s outstanding common stock for $15 per share to a third party, with a due diligence and exclusivity period through September 15, 2008. This due diligence and exclusivity period was subsequently extended through November 15, 2008. In October 2008, Bluegreen disclosed that the third party buyer had been unable to obtain the financing necessary to execute a sale transaction, therefore, no assurances could be provided that a sale would be completed. As of December 31, 2008, the exclusivity period had expired and Bluegreen was not able to consummate a sale.

At September 30, 2008, our investment in Bluegreen was $119.4 million compared to the $65.8 million trading value (calculated based upon the $6.91 closing price of Bluegreen s common stock on the New York Stock Exchange on September 30, 2008). We determined that our investment in Bluegreen was other-than-temporarily impaired due to the severity of the decline in the fair value of the investment, the probability that a sale could not be executed by Bluegreen, and due to the deterioration of the debt and equity markets in the third quarter of 2008. Therefore, we recorded an impairment charge of $53.6 million, adjusting the carrying value of our investment in Bluegreen to $65.8 million at September 30, 2008. Additionally, after further evaluation of our investment in Bluegreen as of December 31, 2008, based on, among other things, the continued decline of Bluegreen s common stock price and the continued deterioration of the equity markets, we determined that an additional impairment of the investment in Bluegreen was appropriate. Accordingly, we recorded a $40.8 million impairment charge (calculated based upon the $3.13 closing price of Bluegreen s common stock on the New York Stock Exchange on December 31, 2008) and adjusted the carrying value of our investment in Bluegreen to $29.8 million. On March 13, 2009, the closing price of Bluegreen s common stock was $1.12 per share.

Table of Contents

Bluegreen has announced that it is implementing strategic initiatives in order to conserve cash that will significantly reduce sales, eliminate certain marketing programs, and reduce capital spending and overhead by eliminating a significant number of employees, among other things. During the fourth quarter of 2008, Bluegreen recorded $15.6 million in restructuring charges in connection with the implementation of these initiatives and recorded an $8.5 million impairment charge related to its goodwill.

Investment in Office Depot

During March 2008, we, together with Woodbridge Equity Fund LLLP, a newly formed limited liability limited partnership wholly-owned by us, purchased 3,000,200 shares of Office Depot common stock, which represented approximately one percent of Office Depot s outstanding stock. These Office Depot shares were acquired at an average price of $11.33 per share for an aggregate purchase price of approximately $34.0 million. During June 2008, we sold 1,565,200 shares of Office Depot common stock at an average price of $12.08 per share for an aggregate sales price of approximately $18.9 million.

During December 2008, we performed an impairment analysis of our remaining investment in Office Depot common stock in accordance with FSP FAS 115-1/FAS 124-1. As result of the impairment analysis, we concluded that based on deteriorating economic conditions which could negatively impact the future earning potential of Office Depot, the continued decline of the Office Depot stock price, the continued decline in the overall economy and credit markets and the unpredictability of the recovery of the Office Depot stock price, there was an other-than-temporary impairment associated with our investment in Office Depot. As a result, we recorded an other-than-temporary impairment charge of approximately $12.0 million representing the difference of the average cost value of $11.33 per share and the fair value of $2.98 per share as of December 31, 2008, which represented our new basis in this investment. On March 13, 2009, the closing price of Office Depot s common stock on the New York Stock Exchange was $1.10 per share.

Acquisition of Pizza Fusion

Pizza Fusion is a restaurant franchise operating in a niche market within the quick service and organic food industries. Founded in 2006, Pizza Fusion was operating 16 locations in Florida and California through December 31, 2008 and entered into franchise agreements to open an additional 14 stores over 2009.

On September 18, 2008, our wholly-owned subsidiary, Woodbridge Equity Fund II LP, purchased for an aggregate of $3.0 million 2,608,696 shares of Series B Convertible Preferred Stock of Pizza Fusion, together with warrants to purchase up to an additional 1,500,000 shares of Series B Convertible Preferred Stock of Pizza Fusion at an exercise price of $1.44 per share. We also have options, exercisable on or prior to September 18, 2009, to purchase up to 521,740 additional shares of Series B Convertible Preferred Stock of Pizza Fusion at a price of $1.15 per share and, upon exercise of such options, will receive warrants to purchase up to 300,000 additional shares of Series B Convertible Preferred Stock of Pizza Fusion at an exercise price of $1.44 per share. The warrants have a 10 year term and are subject to earlier termination under certain circumstances.

We evaluated our investment in Pizza Fusion under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN No. 46(R)), and determined that Pizza Fusion is a Variable Interest Entity (VIE). Furthermore, we concluded that we are the primary beneficiary and as such, consolidated the financial statements of Pizza Fusion as of September 18, 2008. We will continue to review our primary beneficiary status for any potential changes in ownership or capital structure that may cause us to reconsider whether we should continue to consolidate the financial statements of Pizza Fusion. The financial statements of Pizza Fusion at December 31, 2008 were not material. See (Note 3) to our audited consolidated financial statements for further information.

Carolina Oak

In 2007, we acquired from Levitt and Sons all of the outstanding membership interests in Carolina Oak, a South Carolina limited liability company (formerly known as Levitt and Sons of Jasper County, LLC), for the following consideration: (i) assumption of the outstanding principal balance of a loan in the amount of $34.1 million which is collateralized by a 150 acre parcel of land owned by Carolina Oak located in Tradition Hilton Head, (ii) execution of a promissory note in the amount of $400,000 to serve as a deposit under a purchase agreement between Carolina Oak and Core Communities of South Carolina, LLC and (iii) the assumption of specified payables in the amount of approximately $5.3 million.

During the fourth quarter of 2008, as a result of, among other things, a further deterioration in consumer confidence, an overall softening of demand for new homes, a decline in the overall economy, increasing unemployment, a deterioration in the credit markets, and the direct and indirect impact of the turmoil in the mortgage loan market, we made a decision to suspend Carolina Oak s homebuilding activities until the residential housing market improves. Consequently, the purchase agreement between Carolina Oak and Core Communities of South Carolina was canceled and the $400,000 deposit was forfeited. Carolina Oak sold and delivered 8 units during 2008 and, as of December 31, 2008, had 6 completed unsold units. Carolina Oak has an additional 91 lots that are ready and available for home construction. The community was originally planned to consist of approximately 403 additional units. However, there can be no assurance as to when homebuilding activities in this community will be resumed.

At December 31, 2008, we reviewed Carolina Oak project s inventory of real estate for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144). The estimated fair market value of the project was determined based on an appraisal performed by an independent third party. The independent appraisal considered, among other things, general economic conditions, competition in the market where the community is located, alternative product offerings that may impact sales price, the number of homes that can be built on the site, and alternative uses for the property such as the possibility of a sale of the entire community to another builder or the sale of individual home sites. We assessed the fair value of the project based on the appraisal performed by a third party because we believe an independent appraisal is the best estimate in determining fair value under the current circumstances. As a result of the analysis, we recorded an impairment charge of $3.5 million in cost of sales for the year ended December 31, 2008, which is reflected in the Other Operations segment.

Table of Contents

As previously reported, the results of operations and financial condition of Carolina Oak as of and for the years ended December 31, 2007 and 2006 were included in the Primary Homebuilding segment because its financial metrics were similar in nature to the other homebuilding projects within that segment. However, due to our acquisition of Carolina Oak and the deconsolidation of Levitt and Sons, which comprised our Primary and Tennessee Homebuilding segments, as of November 9, 2007, the results of operations and financial condition of Carolina Oak as of and for the year ended December 31, 2008 are included in the Other Operations segment.

Corporate Headquarters

Through May 2008, our 80,000 square foot office building served as our corporate office in Fort Lauderdale, Florida. We relocated our corporate headquarters to a smaller space at the BankAtlantic corporate offices pursuant to a sublease agreement with BFC Financial Corporation, our controlling shareholder (BFC). Our previous corporate headquarters building is currently 50% occupied by an unaffiliated third party pursuant to a lease which expires in 2010. We will continue to seek to lease the vacated space in our former corporate headquarters to third parties, including our affiliates, in 2009. We evaluated the former corporate headquarters office building for impairment in accordance with SFAS No. 144 and determined that the carrying value approximated fair value and, therefore, no impairment was deemed necessary.

Other Investments and Joint Ventures

In the past we have sought to mitigate the risks associated with certain real estate projects by entering into joint ventures.

We entered into an indemnity agreement in April 2004 with a joint venture partner at Altman Longleaf relating to, among other obligations, that partner s guarantee of the joint venture s indebtedness. Our liability under the indemnity agreement was limited to the amount of any distributions from the joint venture which exceeds our original capital and other contributions. Levitt Commercial, LLC, our wholly-owned subsidiary (Levitt Commercial) owned a 20% interest in Altman Longleaf, LLC, which owned a 20% interest in this joint venture. This joint venture developed a 298-unit apartment complex in Melbourne, Florida, with construction commencing in 2004 and ending in 2006. An affiliate of our joint venture partner was the general contractor. Our original capital contributions totaled approximately $585,000 and we have received approximately $1.2 million in distributions since 2004. In December 2008, our interest in the joint venture was sold and we received approximately $182,000 as a result of the sale and we were released from any potential obligation of indemnity which may have arisen in connection with the joint venture.

Levitt Commercial

In 2007, our Other Operations segment also consisted of Levitt Commercial, which was formed in 2001 to develop industrial, commercial, retail and residential properties. In 2007, Levitt Commercial ceased development activities after it sold all of its remaining units. Levitt Commercial s revenues for the year ended December 31, 2007 amounted to $6.6 million which reflected the delivery of the remaining 17 flex warehouse units at its remaining development project.

Homebuilding Division

Acquired in December 1999, Levitt and Sons was a developer of single family homes and townhome communities for active adults and families in Florida, Georgia, Tennessee and South Carolina. Levitt and Sons operated in two reportable segments, Primary Homebuilding and Tennessee Homebuilding.

Increased inventory levels combined with weakened consumer demand for housing and tightened credit requirements has negatively affected sales, deliveries and margins throughout the homebuilding industry. In both the Primary Homebuilding and Tennessee Homebuilding segments, Levitt and Sons experienced decreased orders, decreased margins and increased cancellation rates on homes in backlog. Excess supply, particularly in previously strong markets like Florida, in combination with a reduction in demand resulting from tightened credit requirements and reductions in credit availability, as well as buyers fears about the direction of the market, exerted a continuous cycle of downward pricing pressure for residential homes.

On November 9, 2007 (the Petition Date), Levitt and Sons and substantially all of its subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Chapter 11 Cases) in the United States Bankruptcy Court for the Southern District of Florida (the Bankruptcy Court). The Debtors commenced the Chapter 11 Cases in order to preserve the value of their assets and to facilitate an orderly wind-down of their businesses and disposition of their assets in a manner intended to maximize the recoveries of all constituents. See Item 3. Legal Proceedings for the current status of the Chapter 11 Cases.

In connection with the filing of the Chapter 11 Cases, we deconsolidated Levitt and Sons as of November 9, 2007, eliminating all future operations from our financial results of operations. As a result of the deconsolidation of Levitt and Sons, in accordance with Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements* (ARB No. 51), we recorded our interest in Levitt and Sons under the cost method of accounting. Under cost method accounting, income is recognized only to the extent of cash received in the future or when Levitt and Sons is legally released from its bankruptcy obligations through the approval of the Bankruptcy Court, at which time any recorded loss in excess of the investment in Levitt and Sons can be recognized into income. As of November 9, 2007, Woodbridge had a negative investment in Levitt and Sons of $123.0 million and there were outstanding advances due from Levitt and Sons of $67.8 million at Woodbridge resulting in a net negative investment of $55.2 million. Included in the negative investment was approximately $15.8 million associated with deferred revenue related to intra-segment sales between Levitt and Sons and Core Communities. During the fourth quarter of 2008, the Company identified approximately $2.3 million of deferred revenue on intercompany sales between Core and Carolina Oak that had been misclassified against the negative investment in Levitt and Sons. As a result, the Company recorded a $2.3 million reclassification between inventory of real estate and the loss in excess of investment in subsidiary in the consolidated statements of financial condition. As a result, as of December 31, 2008, the net negative investment was $52.9 million. During the pendency of the Chapter 11 Cases, we also incurred certain administrative costs in the amount of $1.6 million and $748,000 for the years ended December 31, 2008 and 2007, respectively, relating to certain services and benefits provided by us in favor of the Debtors. These costs included the cost of maintaining employee benefit plans, providing accounting services, human resources expenses, general liability and property insurance premiums, payroll processing expenses, licensing and third-party professional fees (collectively, the Post Petition Services).

As previously reported, the results of operations for the year ended December 31, 2007 included the results of operations for the Debtors through November 9, 2007, with the exception of Carolina Oak, which was included for the full year in 2007 as it was not part of the Chapter 11 Cases as discussed above.

Recent Developments

Bankruptcy of Levitt and Sons

On February 20, 2009, the Bankruptcy Court presiding over Levitt and Sons Chapter 11 bankruptcy case entered an order confirming a plan of liquidation jointly proposed by Levitt and Sons and the Official Committee of Unsecured Creditors. That order also approved the settlement pursuant to the settlement agreement we entered into on June 27, 2008 (See Item 3 Legal Proceedings). No appeal or rehearing of the court s order was timely filed by any party, and the settlement was consummated on March 3, 2009, at which time, payment was made in accordance with the terms and conditions of the settlement agreement. The cost of settlement and reversal of the related $52.9 million liability will be recognized into income in the first quarter of 2009. See Item 3. Legal Proceedings for further discussion of the Chapter 11 Cases.

Executive Compensation Program

On September 29, 2008, our Board of Directors approved the terms of incentive programs for certain of our employees including certain of our named executive officers, pursuant to which a portion of their compensation will be based on the cash returns realized by us on our investments. The programs relate to the performance of existing investments and new investments designated by the Board (together, the Investments). All of our investments have been or will be held by individual limited partnerships or other legal entities established for such purpose. Participating executives and employees will have interests in the entities, which will be the basis of their incentives under the programs. Our named executive officers may have interests tied both to the performance of a particular investment as well as interests relating to the performance of the portfolio of investments as a whole.

Table of Contents

Woodbridge, in its capacity as investor in the investment program, will be entitled to receive a return of its invested capital and a specified rate of return on its invested capital prior to our executive officers or employees being entitled to receive any portion of the realized profits (the share to which they may be entitled is referred to as the Carried Interest). For existing investments, the amount of invested capital was determined as of September 1, 2008, by our Board of Directors. Once we receive our priority return of our invested capital and the stated return (which accrues from September 1, 2008), we will also generally be entitled to additional amounts that provide it with (i) at least approximately 87% of the aggregate proceeds related to our status as an investor in excess of our invested capital in that investment, plus (ii) at least 35% of all other amounts earned from third parties with respect to that investment (i.e., income not related to our status as an investor, such as management fees charged to third parties). The remaining proceeds will be available under the incentive programs for distribution among those employees directly responsible for the relevant Investments and our executive officers. The compensation committee of our Board of Directors will determine the allocations to our named executive officers. These allocations are identified in advance for each of the executive officers. Although the compensation committee can alter these allocations on a prospective basis, the total amount payable to employees and officers cannot be changed. Management will determine the amounts to be allocated among the other employee participants. The incentive programs relating to both individual investments and the program established for the executive officers with respect to the overall performance of the portfolio of investments contain clawback obligations that are intended to reduce the risk that the participants will be distributed amounts under the programs prior to our receipt of at least a return of our invested capital and the stated return. To the extent that named executive officers participate in the performance of a particular investment, their clawback obligations nevertheless refer to the performance of the portfolio as a whole. The programs contemplate that the clawback obligations will be funded solely from holdback accounts established with respect to each participant. Amounts equal to a portion of Carried Interest distribution to such participant (initially 25% and which can be increased, when appropriate, to as high as 75%) will be deposited into holdback accounts or otherwise made available for our benefit. There are also general vesting and forfeiture provisions applicable to each participant s right to receive any Carried Interest, the terms of which may vary by individual. Our Board of Directors believes that the above-described incentive plans appropriately align payments to participants with the performance of our investments.

The Executive Incentive Plan which set forth the terms of the Carried Interests of certain executive officers in the performance of the overall investments of Woodbridge and the Investment Programs entered into to date which set forth the Carried Interests of employees and certain executive officers in the performance of particular individual investments are included as exhibits to this Annual Report. These exhibits (rather than the general descriptions contained herein) embody the legally binding terms of the incentive arrangements, which were executed on March 13, 2009.

Acquisition of Pizza Fusion

On September 18, 2008, our wholly-owned subsidiary, Woodbridge Equity Fund II LP, purchased for an aggregate of $3.0 million 2,608,696 shares of Series B Convertible Preferred Stock of Pizza Fusion, together with warrants to purchase up to an additional 1,500,000 shares of Series B Convertible Preferred Stock of Pizza Fusion at an exercise price of $1.44 per share. See (Note 3) to our audited consolidated financial statements for further details regarding the acquisition of Pizza Fusion.

Reclassification of Discontinued Operations

In June 2007, Core Communities began soliciting bids from several potential buyers to purchase assets associated with two of Core s commercial leasing projects (the Projects). As the criteria for assets held for sale had been met in accordance with SFAS No. 144, the assets were reclassified to assets held for sale and the liabilities related to those assets were reclassified to liabilities related to assets held for sale in prior periods. The results of operations for these assets were reclassified as discontinued operations in the third quarter of 2007 and we ceased recording depreciation expense on these Projects. During the fourth quarter of 2008, we determined that given the difficulty in predicting the timing or probability of a sale of these assets associated with the Projects as a result of, among other things, the economic downturn and disruptions in credit markets, the requirements of SFAS No. 144 necessary to classify these assets held for sale and to be included in discontinued operations were no longer met and management could not assert the Projects can be sold within a year. Therefore, the results of operations for these

Projects were reclassified for the three years ending December 31, 2008 back into continuing operations in the consolidated statements of operations. In accordance with SFAS No. 144, we recorded a depreciation recapture of $3.2 million at December 31, 2008 to account for the depreciation not recorded while the assets were classified as discontinued operations. Total assets and liabilities related to the Projects were $92.7 million and $76.1 million, respectively, for the year ended December 31, 2008, and $96.2 million and 80.1 million, respectively, for the year ended December 31, 2007. In addition, total revenues related to the Projects for the years ended December 31, 2008, 2007 and 2006 were $8.7 million, $4.7 million and $1.8 million, respectively, while income (loss) related to the assets for the same periods in 2008, 2007 and 2006 was $6.0 million, $1.8 million and $(21,000), respectively.

Business Strategy

Our business strategy involves the following principal goals:

Continue to develop master-planned communities. While The Land Division s strategy has generally been focused on the development of its master-planned communities in Florida and South Carolina, current economic conditions have required that development activities be reduced to a minimum. As supply and demand for both commercial and residential development approach a more reasonable balance, Core will further evaluate its position to determine when it may be economically feasible to once again initiate more expansive development activities than currently exist. Nevertheless, Core continues to market parcels to homebuilders, and the Land Division continues to focus on its commercial operations through sales to developers and through its efforts to internally develop projects for leasing to third parties. A major component of Core s long term strategy is the development of communities that will responsibly serve its residents and businesses. The overall goal of its developments is to facilitate a regional roadway network and establish model communities that will set an example for future development. Core has established a series of community design standards which have been incorporated into the overall planning effort of master-planned communities including: utilizing a mix of housing types, including single-family neighborhoods and a variety of higher density communities; and having a neighborhood Town Center, Community School parcels, a workplace environment and community parks. The intent is to establish well-planned, innovative communities that are sustainable for the long-term.

We view our commercial projects opportunistically and intend to periodically evaluate the short and long term benefits of retention or disposition. Margins on land sales and the many factors which impact the margin have and may continue to fall below historical levels given the current downturn in the real estate markets. Recent trends in home sales may require us to continue to hold our land inventory longer than originally projected. We intend to review each parcel ready for development to determine whether to market the parcel to third parties, to internally develop the parcel for leasing, or hold the parcel and determine later whether to pursue third party sales or internal development opportunities. Our decision will be based, in part, on the condition of the commercial real estate market and our evaluation of future prospects. Our land development activities in our master-planned communities offer a source of land for future homebuilding by others. Much of our master-planned community acreage is under varying development orders and is not immediately available for construction or sale to third parties at prices that maximize value. Third-party homebuilder sales remain an important part of our ongoing strategy to generate cash flow, maximize returns and diversify risk, as well as to create appropriate housing alternatives for different market segments in our master-planned communities.

Operate efficiently and effectively. We raised a significant amount of capital in 2007 through a rights offering and have implemented significant reductions in workforce levels. We intend to continue our focus on aligning our staffing levels with business goals and current and anticipated future market conditions. We also intend to continue to focus on expense management initiatives throughout the organization.

Pursue investment opportunities. We intend to pursue acquisitions and investments, using a combination of our cash and stock and third party equity and debt financing. These investments may be within or outside of the real estate industry and may also include investments with affiliated entities. We also intend to explore a variety of funding structures which might leverage or capitalize on our available cash and other assets currently owned by us. We may acquire entire businesses, or majority or minority, non-controlling interests in companies. Investing on this basis will present additional risks, including the risks inherent in the industries in which we invest and potential integration risks if we seek to integrate the acquired operations into our operations.

Seasonality

We have historically experienced volatility, but not necessarily seasonality, in our results of operations from quarter-to-quarter due to the nature of the real estate business. Historically, land sale revenues have been sporadic and have fluctuated dramatically. In addition, margins on land sales and the many factors which impact margins may remain below historical levels given the current downturn in the real estate markets where we own properties. We are focusing on maximizing our sales efforts with homebuilders at our master-planned communities. However, due to the uncertainty in the real estate market, we expect to continue to experience a high level of volatility in our Land Division and Other Operations segment.

Competition

The real estate development industry is highly competitive and fragmented. We compete with third parties in our efforts to sell land to homebuilders. We compete with other local, regional and national real estate companies and homebuilders, often within larger subdivisions designed, planned and developed by such competitors. Some of our competitors have greater financial, marketing, sales and other resources than we do.

In addition, there are relatively low barriers to entry into the real estate market. There are no required technologies that would preclude or inhibit competitors from entering our markets. Our competitors may independently develop land. A substantial portion of our operations are in Florida and South Carolina, and we expect to continue to face additional competition from new entrants into our markets.

Employees

As of December 31, 2008, we employed a total of 84 individuals, of which 55 were part of our Land Division and 29 were part of our Other Operations segment. Our employees are not represented by any collective bargaining agreements and we have never experienced a work stoppage. We believe our employee relations are satisfactory. In January 2009, as part of our continuing efforts to align our staffing levels with our current operations, 14 employees were terminated in our Land Division.

Additional Information

Our Internet website address is www.woodbridgeholdings.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our Internet website and the information contained in or connected to our website are not incorporated into this Annual Report on Form 10-K.

Our website also includes printable versions of our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters for each of the Audit, Compensation and Nominating/Corporate Governance Committees of our Board of Directors.

Executive Officers of the Registrant

Name	Position	Age
Alan B. Levan	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	64
John E. Abdo	Vice-Chairman of the Board	65
Seth M. Wise	President	39
John K. Grelle	Chief Financial Officer (Principal Accounting Officer)	65

Alan B. Levan has been the Chairman and Chief Executive Officer of Woodbridge Holdings Corporation and its predecessors, and has held the same roles at BFC Financial Corporation since 1978. Mr. Levan is also Chairman, President and CEO of BankAtlantic Bancorp. He possesses extensive experience in the management of portfolio companies and serves on the board of directors of several BFC and Woodbridge-related companies, including Bluegreen.

John E. Abdo has been the Vice Chairman of Woodbridge Holdings Corporation and its predecessors since its inception and of BFC Financial Corporation since 1993, while serving as a BFC board member since 1988. He has been the Vice Chairman of the Board of Directors and Chairman of the Executive Committee of BankAtlantic Bancorp, Inc. since 1987. He is also Vice Chairman of the Board of Directors of Bluegreen Corporation, and a member of the Board of Directors of Benihana, Inc.

Seth M. Wise, President of Woodbridge Holdings Corporation has worked in the real estate industry for over twenty years. He also serves as President of Woodbridge subsidiary Core Communities. He began his career in commercial lending as a credit analyst at BankAtlantic. Mr. Wise spent 5 years in retail leasing as a Senior Leasing Executive with the Washington, D.C. based Targoff and Company and then joined the Abdo Companies as a development partner in 1996. In 2001, he joined Woodbridge Holdings Corporation as President of the commercial development subsidiary, Levitt Commercial. He then became Executive Vice President of Woodbridge Holdings Corporation in 2003 and ultimately named its President in 2005.

John K. Grelle has been the Chief Financial Officer of Woodbridge Holdings Corporation since 2007. From 2003 through October 2007, when Mr. Grelle joined Tatum, LLC, Mr. Grelle was the founder and principal of a business formation and strategic development consulting firm. From 1996 through 2003, Mr.Grelle served as Senior Vice President and Chief Financial Officer of ULLICO Inc., a financial services conglomerate with assets in excess of $4 billion and, from 1993 through 1995, he served as Managing Director of DCG Consulting.

ITEM 1A. RISK FACTORS

RISKS RELATING TO OUR REAL ESTATE OPERATIONS

Through Core Communities and Carolina Oak, we engage in real estate activities which are speculative and involve a high degree of risk.

The real estate industry is highly cyclical by nature. The current market is experiencing a significant decline, and future market conditions are uncertain. There are many factors which affect the real estate industry, and many of these factors are beyond our control, including:

- overbuilding or decreases in demand to acquire land;
- the availability and cost of financing;
- unfavorable interest rates and increases in inflation;
- changes in national, regional and local economic conditions;
- cost overruns, inclement weather, and labor and material shortages;
- the impact of present or future environmental legislation, zoning laws and other regulations;
- availability, delays and costs associated with obtaining permits, approvals or licenses necessary to develop property; and
- increases in real estate taxes, insurance and other local government fees.

The real estate market has experienced a significant downturn, and the duration and ultimate severity of the downturn is uncertain. A continued deterioration of economic conditions will adversely affect our operating results and financial condition.

The downturn in the real estate market, which is now in its fourth year, has become one of the most severe in U.S. history. This downturn, which resulted from a decline in consumer confidence, decline in real estate prices and an oversupply of real estate available for sale, has been exacerbated by, among other things, a decline in the overall economy, increasing unemployment, fear of job loss and a decline in the securities and credit markets. The government s legislative and administrative measures aimed at restoring liquidity to the credit markets and improving conditions in the real estate markets has only recently begun and there is no indication yet whether these measures have or will effectively stabilize prices and real estate values or restore consumer confidence and increase demand in the real estate markets.

As a result of this downturn, and specifically the adverse impact that the combination of the lower demand and higher inventories has had on the amount of land that we are able to develop and sell and the prices at which we are able to sell the land, our operating results and financial condition have been adversely affected. We cannot predict the duration or ultimate severity of the current challenging conditions, nor can we provide assurance that our responses to the current downturn or the government s attempts to address the troubles in the economy will be successful. If these conditions persist or continue to worsen, they will further adversely affect our operating results and financial condition.

Because real estate investments are illiquid, the downturn in the real estate market and in the economy in general has had, and may continue to have, an adverse impact on our business and cash flow.

Real estate investments are generally illiquid. Like other companies that invest in real estate, we have a limited ability to vary our portfolio of real estate investments in response to changes in economic and other conditions. In addition, as a result of the sustained downturn in the real estate market, and in the economy in general, the estimated market value of our real estate properties has decreased and may continue to decrease in the future. Moreover, we may not be able to timely dispose of properties when we find dispositions advantageous or necessary, or complete the disposition of properties under contract to be sold, and any such dispositions may not provide proceeds in excess of the amount of our investment in the property or even in excess of the amount of any indebtedness secured by the property. As a result, we are susceptible to the risks associated with further declines in real estate values, including the risk that we may be required to record additional impairment write-downs with respect to our real estate inventory in the future if the current real estate environment does not improve or if the market value of our real estate properties otherwise continues to decline. We had $241.3 million of real estate inventory at December 31, 2008.

The commercial real estate market has been adversely affected by the current economic and credit environment.

Economic conditions may make it more difficult to achieve projected rental and occupancy rates on Core s commercial leasing projects, which may adversely impact the net operating income of the projects. The risks relating to Core s commercial leasing projects include, without limitation:

the risk that a significant tenant or a number of tenants may file for bankruptcy protection, creating the possibility that past due rents may never be recovered;

the risk that leases with certain existing tenants may become overly burdensome to the lessee due to reduced business activity, and lease concessions and modifications may be necessary to avoid defaults;

the risk that the current adverse economic conditions and limited availability of credit may continue or deteriorate further, causing market capitalization rates on commercial properties to increase beyond present levels, thus reducing the value at which commercial projects can be sold;

the risk that net operating income at the commercial leasing projects may not be sufficient to meet certain debt service coverage ratio requirements, which would result in requirements for additional principal curtailment payments in order to bring the loans into compliance; and

the risk that vacant space will take longer to lease and that rental rates will be lower than projected or necessary to operate the project profitably.

Table of Contents

Commercial leasing projects may not yield anticipated returns, which could harm our operating results, reduce cash flow, or the ability to sell commercial assets.

A component of our business strategy is the development of commercial properties and assets for sale. These developments may not be as successful as expected due to the commercial leasing related risks discussed herein, as well as the risks associated with real estate development generally.

Additionally, development of commercial projects involves the risk associated with the significant time lag between commencement and completion of the project. This time lag subjects us to greater risks relating to fluctuations in the general economy, our ability to obtain construction or permanent financing on favorable terms, if at all, our ability to achieve projected rental rates, the pace that we will be able to lease new tenants, higher than estimated construction costs (including labor and material costs), and delays in the completion of projects because of, among other factors, inclement weather, labor disruptions, construction delays or delays in receiving zoning or other regulatory approvals, or man-made or natural disasters.

We utilize community development district and special assessment district bonds to fund development costs, and we will be responsible for assessments until the underlying property is sold.

We establish community development district and special assessment district bonds to access tax-exempt bond financing to fund infrastructure development at Core s master-planned communities. We are responsible for any assessed amounts until the underlying property is sold. Accordingly, if we continue to hold certain of our properties longer than originally projected (as a result of a continued downturn in the real estate markets or otherwise), we may be required to pay a higher portion of annual assessments on such properties. In addition, we could be required to pay down a portion of the bonds in the event our entitlements were to decrease as to the number of residential units and/or commercial space that can be built on the properties encumbered by the bonds. Moreover, Core has guaranteed payments for assessments under the district bonds in Tradition, Florida which would require funding if future assessments to be allocated to property owners are insufficient to repay the bonds.

The availability of tax-exempt bond financing to fund infrastructure development at Core s master-planned communities may be adversely impacted by recent disruptions in credit markets, including the municipal bond market, by general economic conditions and by fluctuations in the real estate market. If we are not able to access this type of financing, we would be forced to obtain substitute financing, and there is no assurance that we would be able to obtain substitute financing on acceptable terms, if at all. If we are not able to obtain financing for infrastructure development, Core would be forced to use its own funds or delay development activity at its master-planned communities.

Core s results are subject to significant volatility.

Due to the nature and size of Core s individual land transactions, Core s results and our consolidated results have historically been subject to significant volatility. Land sale revenues have been sporadic and have fluctuated dramatically based upon, among other factors, changing sales prices and costs attributable to the land sold. Due to the current downturn in the real estate market, margins on land sales may continue to decline and there is no assurance that they will return to prior levels. If the real estate markets deteriorate further or if the current downturn is prolonged, we may not be able to sell land at prices above our carrying cost or even in amounts necessary to repay our indebtedness. In addition to the impact of economic and market factors, the sales price and margin of land sold varies depending upon: the location; the parcel size; whether the parcel is sold as raw land, partially developed land or individually developed lots; the degree to which the land is entitled; and whether the designated use of land is residential or commercial.

In addition, our ability to realize margins may be affected by circumstances beyond our control, including:

- shortages or increases in prices of construction materials;

- natural disasters in the areas in which we operate;

lack of availability of adequate utility infrastructure and services; and

our need to rely on local subcontractors who may not be adequately capitalized or insured.

Any of these circumstances could give rise to delays in the start or completion of development at, or increase the cost of developing, Core s master-planned communities. We compete with other real estate developers, both regionally and nationally, for labor as well as raw materials, and the competition for materials has recently become global. Increased costs in labor and materials could cause increases in construction costs. In addition, the cost of sales of real estate is dependent upon the original cost of the land acquired, the timing of the acquisition of the land, and the amount of land development, interest and real estate tax costs capitalized to the particular land parcel during active development. Future margins will continue to vary based on these and other market factors.

We are dependent upon certain key tenants in our commercial developments, and decisions made by these tenants or adverse developments in the business of these tenants could have a negative impact on our financial condition.

Our commercial real estate centers are supported by anchor tenants which, due to size, reputation or other factors, are particularly responsible for drawing other tenants and shoppers to our centers in certain cases. We are subject to the risk that certain of these anchor tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration.

In addition, an anchor tenant may decide that a particular store is unprofitable and close its operations, and, while the anchor tenant may continue to make rental payments, its failure to occupy its premises could have an adverse effect on the property. A lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping center. Vacated anchor tenant space also tends to adversely affect the entire shopping center because of the loss of the departed anchor tenant s power to draw customers to the center. We may not be able to quickly re-lease vacant space on favorable terms, if at all. Any of these developments could adversely affect our financial condition or results of operations.

It may be difficult and costly to rent vacant space and space which may become vacant in future periods.

Our goal is to improve the performance of our properties by leasing available space and re-leasing vacated space. However, we may not be able to maintain our overall occupancy levels. Our ability to continue to lease or re-lease vacant space in our commercial properties will be affected by many factors, including our properties locations, current market conditions and the provisions of the leases we enter into with the tenants at our properties. In fact, many of the factors which could cause our current tenants to vacate their space could also make it more difficult for us to re-lease that space. The failure to lease or to re-lease vacant space on satisfactory terms could harm our operating results.

If we are able to re-lease vacated space, there is no assurance that rental rates will be equal to or in excess of current rental rates. In addition, we may incur substantial costs in obtaining new tenants, including brokerage commission fees paid by us in connection with new leases or lease renewals, and the cost of leasehold improvements.

Additional adverse changes in economic conditions where we conduct our operations could further reduce the demand for real estate and, as a result, could further adversely impact our results of operations and financial condition.

Adverse changes in national, regional and local economic conditions, especially in Florida and to a lesser extent South Carolina where our operations are concentrated, have had and may continue to have a negative impact on our business. Continued adverse changes in, among other things, employment levels, job growth, consumer confidence, interest rates and population growth, or a continued oversupply of land for sale may further reduce demand and depress real estate prices, which, in turn, could adversely impact our results of operations and financial condition.

Table of Contents

If prospective purchasers of our inventory and tenants are not able to obtain suitable financing, our results of operations may further decline.

Our results of operations are dependent in part on the ability of prospective purchasers of our real estate inventory and prospective commercial tenants to secure financing. The recent deterioration of the credit markets and the related tightening of credit standards may impact the ability of prospective purchasers and tenants to secure financing on acceptable terms, if at all. This may, in turn, negatively impact land sales and long-term rental and occupancy rates as well as the value of Core s commercial properties.

Natural disasters could have an adverse effect on our real estate operations.

The Florida and South Carolina markets in which we operate are subject to the risks of natural disasters such as hurricanes and tropical storms. These natural disasters could have a material adverse effect on our business by causing the incurrence of uninsured losses, increased insurance rates, including homebuyer insurance rates, delays in construction, and shortages and increased costs of labor and building materials.

In addition to property damage, hurricanes may cause disruptions to our business operations. Approaching storms may require that operations be suspended in favor of storm preparation activities. After a storm has passed, construction-related resources such as sub-contracted labor and building materials are likely to be redeployed to hurricane recovery efforts. Governmental permitting and inspection activities may similarly be focused primarily on returning displaced residents to homes damaged by the storms rather than on new construction activity. Depending on the severity of the damage caused by the storms, disruptions such as these could last for several months.

A portion of our revenues from land sales in Core s master-planned communities are recognized for accounting purposes under the percentage of completion method. Therefore, if our actual results differ from our assumptions, our profitability may be reduced.

Under the percentage of completion method of accounting for recognizing revenue, we record revenue and cost of sales as work on the project progresses based on the percentage of actual work incurred compared to the total estimated costs. This method relies on estimates of total expected project costs. Revenue and cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in sales of real estate and cost of sales in the period when such estimates are revised. Variation of actual results compared to our estimated costs in Core s master-planned communities could cause material changes to our net margins.

Product liability litigation and claims that arise in the ordinary course of business may be costly.

Our commercial real estate development business is subject to construction defect and product liability claims arising in the ordinary course of business. These claims are common in the commercial real estate industries and can be costly. We have, and many of our subcontractors have, general liability, property, errors and omissions, workers compensation and other business insurance. However, these insurance policies only protect us against a portion of our risk of loss from claims. In addition, because of the uncertainties inherent in these matters, we cannot provide reasonable assurance that our insurance coverage or our subcontractor arrangements will be adequate to address all warranty, construction defect and liability claims in the future. In addition, the costs of insuring against construction defect and product liability claims, if applicable, are substantial and the amount of coverage offered by insurance companies is also currently limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims, we may experience losses that could negatively impact our operating results.

Table of Contents

We are subject to governmental regulations that may limit our operations, increase our expenses or subject us to liability.

We are subject to laws, ordinances and regulations of various federal, state and local governmental entities and agencies concerning, among other things:

- environmental matters, including the presence of hazardous or toxic substances;
- wetland preservation;
- health and safety;
- zoning, land use and other entitlements;
- building design; and
- density levels.

In developing a project and building commercial properties, we may be required to obtain the approval of numerous governmental authorities regulating matters such as:

- the installation of utility services such as gas, electric, water and waste disposal;
- the dedication of acreage for open space, parks and schools;
- permitted land uses; and
- the construction design, methods and materials used.

These laws or regulations could, among other things:

- establish building moratoriums;
- limit the number of commercial properties that may be built;
- change building codes and construction requirements affecting property under construction;
- increase the cost of development and construction; and
- delay development and construction.

We may also at times not be in compliance with all regulatory requirements. If we are not in compliance with regulatory requirements, we may be subject to penalties or we may be forced to incur significant expenses to cure any noncompliance. In addition, some of our land has not yet received planning approvals or entitlements necessary for development. Failure to obtain entitlements necessary for land development on a timely basis or to the extent desired may adversely affect our operating results.

Several governmental authorities have also imposed impact fees as a means of defraying the cost of providing governmental services to developing areas, and many of these fees have increased significantly during recent years.

Building moratoriums and changes in governmental regulations may subject us to delays or increased costs of construction or prohibit development of our properties.

We may be subject to delays or may be precluded from developing in certain communities because of building moratoriums or changes in statutes or rules that could be imposed in the future. The State of Florida and various counties have in the past and may in the future continue to declare moratoriums on the issuance of building permits and impose restrictions in areas where the infrastructure, such as roads, schools, parks, water and sewage treatment facilities and other public facilities, does not reach minimum standards. Additionally, certain counties in Florida, including counties where we are developing projects, have enacted more stringent building codes which have resulted in increased costs of construction. As a consequence, we may incur significant expenses in connection with complying with new regulatory requirements that we may not be able to pass on to purchasers or tenants.

Table of Contents

We are subject to environmental laws and the cost of compliance could adversely affect our business.

As a current or previous owner or operator of real property, we may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the property. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such substance, or the failure to promptly remediate any such substance, may adversely affect our ability to sell or lease the property, to use the property for its intended purpose, or, if we deem necessary or desirable in the future, to borrow funds using the property as collateral.

Increased insurance risk could negatively affect our business.

Insurance and surety companies may take actions that could negatively affect our business, including increasing insurance premiums, requiring higher self-insured retentions and deductibles, requiring additional collateral or covenants on surety bonds, reducing limits, restricting coverages, imposing exclusions, and refusing to underwrite certain risks and classes of business. Any of these actions may adversely affect our ability to obtain appropriate insurance coverage at reasonable costs which could have a material adverse effect on our business.

Our results may vary.

Like other companies engaged in real estate activities, we historically have experienced, and expect to continue to experience, variability in operating results on a quarterly basis and from year to year. Factors expected to contribute to this variability include:

- the cyclical nature of the real estate industry;
- prevailing interest rates and the availability of financing;
- weather;
- cost and availability of materials and labor;
- competitive conditions;
- timing of sales of land;
- the timing of receipt of regulatory and other governmental approvals for land development projects; and
- the timing of the sale of our commercial leasing operations.

Levitt and Sons had surety bonds on most of their projects, some of which were subject to indemnity by Woodbridge.

Levitt and Sons had $33.3 million in surety bonds relating to its ongoing projects at the time of the filing of the Chapter 11 Cases. In the event that these obligations are drawn and paid by the surety, Woodbridge could be responsible for up to $11.7 million plus costs and expenses in accordance with the surety indemnity agreement for these instruments. As of December 31, 2008, we had a $1.1 million in surety bonds accrual at Woodbridge related to certain bonds where management considers it probable that the Company will be required to reimburse the surety under the indemnity agreement. It is unclear given the uncertainty involved in the Chapter 11 Cases whether and to what extent the outstanding surety bonds of Levitt and Sons will be drawn and the extent to which Woodbridge may be responsible for additional amounts beyond this accrual. It is unlikely that Woodbridge would have the ability to receive any repayment, assets or other consideration as recovery of any amount it is required to pay. If losses on additional surety bonds are identified, we will need to take additional charges associated with Woodbridge s exposure under our indemnities, and this may have a material adverse effect on our results of operations and financial condition.

RISKS RELATING TO OUR OTHER ACTIVITIES AND TO OUR COMPANY, GENERALLY

Our outstanding debt instruments impose restrictions on our operations and activities and could adversely affect our financial condition.

At December 31, 2008, our consolidated debt was approximately $350.0 million, of which $215.3 million related to Core Communities.

Certain loans which provide the primary financing for Tradition, Florida and Tradition Hilton Head have annual appraisal and re-margining requirements. These provisions may require Core Communities, in circumstances where the value of its real estate securing these loans declines, to pay down a portion of the principal amount of the loans to bring the loans within specified minimum loan-to-value ratios. Accordingly, should land prices decline to the point at which the loans fall below their specified minimum loan-to-value ratios, reappraisals could result in significant future re-margining payments. In addition, all of our outstanding debt instruments require us to comply with certain financial covenants. Further, one of our debt instruments contains cross-default provisions, which could cause a default on this debt instrument if we default on other debt instruments. If we fail to comply with any of these restrictions or covenants, the holders of the applicable debt could cause our debt to become due and payable prior to maturity. These accelerations or significant re-margining payments could require us to dedicate a substantial portion of our cash and cash flow from operations to payment of or on our debt and reduce our ability to use our cash for other purposes.

Core s loan agreements generally require repayment of specified amounts upon a sale of a portion of the property collateralizing the debt. Core also is subject to provisions in some of its loan agreements that may require additional principal payments, known as curtailment payments. Core made curtailment payments totaling approximately $19.9 million during 2008. Additional curtailment payments may be required in the future if the unfavorable current trends in the real estate market continue.

For 2009, our anticipated minimum principal debt payment obligations total approximately $3.6 million, assuming the exercise of all loan extensions available at our discretion, in each case exclusive of any re-margining payments that could be required in the event that property serving as collateral becomes impaired, curtailment payments which may be required in the event sales are below contractual minimums and any additional amounts which may become due upon a sale of the property securing the loan. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available under our existing credit facilities or any other financing sources in an amount sufficient, to enable us to service our indebtedness or fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity, which, due to, among other factors, the recent disruptions in the credit and capital markets, we may not be able to do on favorable terms or at all.

Core is engaging a restructuring firm to review its cash flow models and analyze the terms of its outstanding indebtedness, and, where appropriate, to enter into discussions with its lenders relating to a restructuring of Core s debt. If Core is not successful in restructuring its debt, it may not have sufficient resources to timely meet its obligations.

Core s obligations are independent of Woodbridge and Woodbridge is not legally obligated to support Core. There is no assurance that Woodbridge will provide additional resources to Core in the event that Core requires additional funds in order to meet its obligations as they become due. If Core is not able to meet its obligations as they become due, the lenders under the defaulted loans could foreclose on any property which serves as collateral for the defaulted loan and Core could be forced to cease or significantly curtail its operations, which would likely result in significant impairment charges and losses at Woodbridge.

Our current business strategy may require us to obtain additional capital, which may not be available on favorable terms, if at all.

There is no assurance that we will be able to continue to develop our real estate projects and pursue new investments as currently contemplated using solely our capital on hand. As a result, we may in the future need to obtain additional financing in an effort to successfully implement our business strategy. These funds may be obtained through public or private debt or equity financings, additional bank borrowings or from strategic alliances. We may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all, especially in light of the current adverse conditions in the capital and credit markets and, with respect to funding of Core s master-planned communities, the adverse conditions

18

in municipal bond markets which may impact our ability to access tax-exempt bond financing. Moreover, certain of our bank financing agreements contain provisions that limit the type and amount of debt we may incur in the future without our lenders consent. If we are unable to obtain any additional capital necessary to fund our real estate operations or pursue or consummate new investments, we may be required to delay, scale back or abandon some or all of our land development activities, or liquidate certain of our assets, and we may not be able to successfully implement our business strategy with respect to new investments. The occurrence of any of the above events may adversely impact our operating results and financial condition.

We are subject to the risks of the businesses that we currently hold investments in, and our future acquisitions may reduce our earnings, require us to obtain additional financing, and expose us to additional risks.

We currently hold investments in Bluegreen, Office Depot and Pizza Fusion, and, as a result, we are subject to the risks faced by those companies in their respective industries. Each has been adversely affected by a downturn in the economy, loss of consumer confidence and disruptions in the credit markets. In addition, our business strategy includes the possibility of making material investments in other industries. While we will seek investments and acquisitions primarily in companies that provide opportunities for growth with seasoned and experienced management teams, we may not be successful in identifying these opportunities. Further, investments or acquisitions that we do complete may not prove to be successful. Acquisitions may expose us to additional risks, including the risks faced by the acquired businesses, and may have a material adverse effect on our results of operations if, among other things, the acquired businesses do not perform as expected or the acquisitions do not otherwise accomplish our strategic objectives.

In addition, we will likely face competition in making investments or acquisitions which could increase the costs associated with the investment or acquisition. Our investments or acquisitions could initially reduce our per share earnings and add significant amortization expense or intangible asset charges. Since our acquisition strategy involves holding investments for the foreseeable future and because we do not expect to generate significant excess cash flow from operations, we may rely on additional debt or equity financing to implement our acquisition strategy. The issuance of debt will result in additional leverage which could limit our operating flexibility, and the issuance of equity could result in additional dilution to our then-current shareholders. In addition, such financing could consist of equity securities which have rights, preferences or privileges senior to our Class A or Class B Common Stock. We do not intend to seek shareholder approval of any investments or acquisitions unless required by law or regulation.

If current economic and credit market conditions do not improve and the book value of our investments continue to exceed the trading value of the shares we own, we may incur additional impairment charges in the future relating to those investments, which would adversely impact our financial condition and operating results.

We own approximately 9.5 million shares of Bluegreen common stock, representing approximately 31% of Bluegreen s outstanding common stock. During 2008, we evaluated our investment in Bluegreen for impairment and determined that there was an other-than-temporary impairment associated with such investment at September 30, 2008. As a result, we recorded an impairment charge of $53.6 million and adjusted the carrying value of our investment in Bluegreen as of September 30, 2008 from $119.4 million to $65.8 million. Additionally, after further evaluation of our investment in Bluegreen as of December 31, 2008, we determined that an additional impairment of our investment in Bluegreen was appropriate. Accordingly, we recorded a $40.8 million impairment charge (calculated based upon the $3.13 closing price of Bluegreen s common stock on the New York Stock Exchange on December 31, 2008). The carrying value of our investment in Bluegreen as of December 31, 2008 was $29.8 million. There can be no assurance that we will not be required to record a further impairment charge in the future relating to our investment in Bluegreen. On March 13, 2009, the closing price of Bluegreen s common stock on the New York Stock Exhange was $1.12 per share.

We also own approximately 1.4 million shares of Office Depot common stock, representing less than 1% of Office Depot s outstanding common stock. These shares are accounted for as available-for-sale securities and are carried at fair value. During 2008, we evaluated our investment in Office Depot for impairment and determined that an impairment charge was necessary. Accordingly, we recorded an other-

than-temporary impairment of $12.0 million associated with our investment in Office Depot. As of December 31, 2008, the cost of our investment in Office Depot was $16.3 million while the carrying value of such investment, recorded at fair value, was $4.3 million. If current market conditions do not improve or if the trading price of Office Depot s common stock does not otherwise increase, then we may be required to record future other-than-temporary impairment adjustments. On March 13, 2009, the closing price of Office Depot s common stock on the New York Stock Exchange was $1.10 per share.

In the event we record impairments in the future with respect to our current or future investments, then the cost of the investment determined to be impaired will be written down to its fair value with a corresponding charge to earnings, which would adversely impact our financial condition and operating results.

We are subject to certain additional risks relating to our investment in Bluegreen.

Although Bluegreen s common stock is traded on the New York Stock Exchange, the shares of Bluegreen common stock we own may be deemed restricted stock, which would limit our ability to liquidate our investment in Bluegreen if we choose to do so. In addition, while we have made a significant investment in Bluegreen, we do not expect to receive any dividends from the company in the foreseeable future.

For the year ended December 31, 2008, our earnings from our investment in Bluegreen were $9.0 million (after the amortization of approximately $9.2 million related to the change in the basis as a result of the impairment charge at September 30, 2008), compared to $10.3 million in 2007, and $9.7 million in 2006. At December 31, 2008, the carrying value of our investment in Bluegreen was $29.8 million. A significant portion of our earnings and book value are dependent upon Bluegreen s ability to operate its business plan successfully, which may be difficult given the current economic environment.

The loss of the services of our key management and personnel could adversely affect our business.

Our ability to successfully implement our business strategy will depend on our ability to attract and retain experienced and knowledgeable management and other professional staff. There is no assurance that we will be successful in attracting and retaining key management personnel.

Our controlling shareholders have the voting power to control the outcome of any shareholder vote, except in limited circumstances.

As of December 31, 2008, BFC Financial Corporation owned all of the issued and outstanding shares of our Class B Common Stock, and 3,735,391 shares, or approximately 22.4%, of our issued and outstanding Class A Common Stock. In the aggregate, these shares represent approximately 23.6% of our total equity and approximately 59% of our total voting power. Since our Class A Common Stock and Class B Common Stock vote as a single group on most matters, BFC is in a position to control our Company and elect a majority of our Board of Directors. Additionally, Alan B. Levan, our Chairman and Chief Executive Officer, and John E. Abdo, our Vice Chairman, collectively beneficially own shares of BFC s Class A and Class B Common Stock representing approximately 73.8% of BFC s total voting power. As a result, Alan B. Levan and John E. Abdo effectively have the voting power to control the outcome of any vote of our shareholders, except in those limited circumstances where Florida law mandates that the holders of our Class A Common Stock vote as a separate class. BFC s interests may conflict with the interests of our other shareholders.

Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

We have experienced and continue to experience net operating losses. Under the Internal Revenue Code, we may utilize our net operating loss carryforwards in certain circumstances to offset future taxable income and to reduce federal income tax liability, subject to certain requirements and restrictions. However, if we experience an ownership change, as defined in Section 382 of the Internal Revenue Code, then our ability to use our net operating loss carryforwards could be substantially limited, which could have a negative impact on our financial position and results of operations. Generally, there is an ownership change if, at any time, one or more shareholders owning 5% or more of a company s common stock have aggregate increases in their ownership of such stock of more than 50 percentage points over the prior three-year period.

In September 2008, our Board of Directors adopted a shareholder rights plan designed to preserve shareholder value and protect our ability to use our net operating loss carryforwards by providing a deterrent to holders of less than 5% of our Class A Common Stock from acquiring a 5% or greater ownership interest in our Class A Common Stock. However, there can be no assurance that the shareholder rights plan will successfully prevent against an ownership change or otherwise preserve our ability to utilize our net operating loss carryforwards to offset any future taxable income, nor can there be any assurance that we will be in a position to utilize our net operating loss carryforwards in the future even if we do not experience an ownership change.

In the event that the Company chooses to de-register its securities from registration with the Securities and Exchange Commission, it would no longer file reports with the Securities and Exchange Commission and this could result in lower prices and more limited trading of the Company s securities as well as adversely impact the Company s ability to raise capital.

In order to further reduce costs, the Company may choose to de-register its securities from the Securities and Exchange Commission, which would result in less information about the Company being publicly available to investors and could result in a lower trading price of the Company s Class A common stock.

During 2008, the Company failed to meet the minimum continued listing requirements of the New York Stock Exchange necessary to cause the Company s Class A common stock to maintain its listing on the New York Stock Exchange and, consequently, the Company s Class A common stock was de-listed. The Company s Class A common stock is now quoted on the Pink Sheets. In order to further reduce costs, the Company may choose to de-register its securities from the Securities and Exchange Commission, as the cost of public reporting is significant. Pursuant to the rules of the Securities and Exchange Commission, if at any time the number of record holders of the Company s Class A common stock falls below 300, including accounts held through depositories and institutional custodians, then the Company would be permitted to elect to de-register its securities, which de-registration would be effective 90 days after making the appropriate filing with the Securities and Exchange Commission. If the Company de-registers its securities from the Securities and Exchange Commission, then the Company would cease filing periodic reports with the Securities and Exchange Commission, including current reports on Form 8-K, quarterly reports on Form 10-Q and annual reports on Form 10-K, which would result in less information about the Company being publicly available to investors. Accordingly, this could result in a lower trading price of the Company s Class A common stock, may make it more difficult for the holders of the Company s Class A common stock to sell or purchase shares of the Company s Class A common stock, and may cause it to be more difficult for the Company to raise capital, which, in the event additional capital is required to operate the Company s business, could materially and adversely impact the Company s business, prospects, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal and executive offices are located at the Corporate Headquarters of BankAtlantic, 2100 West Cypress Creek Road, Fort Lauderdale, Florida 33309. Woodbridge utilizes space pursuant to a sublease agreement with BFC. We own an office building located at 2200 West Cypress Creek Road, Fort Lauderdale, Florida 33309. Two floors of this office building are currently leased to a third party and we will continue to seek to lease to third parties, including our affiliates, the remaining space available at this office building. Core Communities owns its executive office building in Port St. Lucie, Florida. We also have various month-to-month leases on the trailers we occupy in Tradition Hilton Head. In addition to our properties used for offices, we additionally own commercial space in Florida that is leased to third parties. Because of the nature of our real estate operations, significant amounts of property are held as inventory and property and equipment in the ordinary course of our business.

ITEM 3. LEGAL PROCEEDINGS

In re: Levitt and Sons, LLC, et al., No. 07-19845-BKC-RBR, U.S. Bankruptcy Court Southern District of Florida

On November 9, 2007, the Debtors filed voluntary petitions for relief under the Chapter 11 Cases in the Bankruptcy Court. The Debtors commenced the Chapter 11 Cases in order to preserve the value of their assets and to facilitate an orderly wind-down of their businesses and disposition of their assets in a manner intended to maximize the recoveries of all constituents.

On November 27, 2007, the Office of the United States Trustee (the U.S. Trustee), appointed an official committee of unsecured creditors in the Chapter 11 Cases (the Creditors Committee). On January 22, 2008, the U.S. Trustee appointed a *Joint Home Purchase Deposit Creditors Committee of Creditors Holding Unsecured Claims* (the Deposit Holders Committee , and together with the Creditors Committee, the Committees) The Committees have a right to appear and be heard in the Chapter 11 Cases.

On November 27, 2007, the Bankruptcy Court granted the *Debtors Motion for Authority to Incur Chapter 11 Administrative Expense Claim* (Chapter 11 Admin. Expense Motion) thereby authorizing the Debtors to incur a post petition administrative expense claim in favor of Woodbridge for Post Petition Services. While the Bankruptcy Court approved the incurrence of the amounts as unsecured post petition administrative expense claims, the cash payments of such claims was subject to additional court approval. In addition to the unsecured administrative expense claims, we had pre-petition secured and unsecured claims against the Debtors. The Debtors scheduled the amounts due to us in the Chapter 11 Cases. Our unsecured pre-petition claims scheduled by Levitt and Sons were approximately $67.3 million and the secured pre-petition claim scheduled by Levitt and Sons is approximately $460,000. We also filed contingent claims with respect to any liability we may have arising out of disputed indemnification obligations under certain surety bonds. Lastly, we implemented an employee severance fund in favor of certain employees of the Debtors. Employees who received funds as part of this program as of December 31, 2008, which totaled approximately $3.9 million paid as of that date, have assigned their unsecured claims to Woodbridge.

In 2008, the Debtors asserted certain claims against Woodbridge, including an entitlement to a portion of the $29.7 million federal tax refund which Woodbridge received as a consequence of losses incurred at Levitt and Sons in prior periods; however, the parties entered into the Settlement Agreement described below.

On June 27, 2008, Woodbridge entered into a settlement agreement (the Settlement Agreement) with the Debtors and the Joint Committee of Unsecured Creditors (the Joint Committee) appointed in the Chapter 11 Cases. Pursuant to the Settlement Agreement, among other things, (i) Woodbridge agreed to pay to the Debtors bankruptcy estates the sum of $12.5 million plus accrued interest from May 22, 2008 through the date of payment, (ii) Woodbridge agreed to waive and release substantially all of the claims it had against the Debtors, including its administrative expense claims through July 2008, and (iii) the Debtors (joined by the Joint Committee) agreed to waive and release any claims they had against Woodbridge and its affiliates. After certain of Levitt and Sons creditors indicated that they objected to the terms of the Settlement Agreement and stated a desire to pursue claims against Woodbridge, Woodbridge, the Debtors and the Joint Committee entered into an amendment to the Settlement Agreement, pursuant to which Woodbridge would, in lieu of the $12.5 million payment previously agreed to, pay $8 million to the Debtors bankruptcy estates and place $4.5 million in a release fund to be disbursed to third party creditors in exchange for a third party release and injunction. The amendment also provided for an additional $300,000 payment by Woodbridge to a deposit holders fund. The Settlement Agreement, as amended, was subject to a number of conditions, including the approval of the Bankruptcy Court. On February 20, 2009, the Bankruptcy Court presiding over Levitt and Sons Chapter 11 bankruptcy case entered an order confirming a plan of liquidation jointly proposed by Levitt and Sons and the Official Committee of Unsecured Creditors. That order also approved the settlement pursuant to the Settlement Agreement, as amended. No appeal or rehearing of the court s order was timely filed by any party, and the settlement was consummated on March 3, 2009.

Robert D. Dance, individually and on behalf of all others similarly situated v. Woodbridge Holdings Corp. (formerly known as Levitt Corp.), Alan B. Levan, and George P. Scanlon, Case No. 08-60111-Civ-Graham/O Sullivan, Southern District of Florida

On January 25, 2008, plaintiff Robert D. Dance filed a purported class action complaint as a putative purchaser of our securities against us and certain of our officers and directors, asserting claims under the federal securities law and seeking damages. This action was filed in the United States District Court for the Southern District of Florida and is captioned Dance v. Levitt Corp. et al., No. 08-CV-60111-DLG. The securities litigation purports to be brought on behalf of all purchasers of our securities beginning on January 31, 2007 and ending on August 14, 2007. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder by issuing a series of false and/or misleading statements concerning our financial results, prospects and condition.

Westchester Fire Insurance Company vs. City of Brooksville Case No. 8: CA-09-486

On February 9, 2009, the City of Brooksville, Florida filed a complaint in the Circuit Court of the Fifth Judicial Circuit in and for Hernando County, Florida. Woodbridge was named as one of the defendants. The lawsuit alleged that Levitt Corporation failed to construct certain public works projects in the City as it was required to do under a Plat Approval granted by the City for the Cascades at Southern Hills project. The lawsuit sought recovery from Westchester Fire Insurance Company, which provided surety bonds for Levitt s performance of the public works. Although Woodbridge was named as a defendant, no cause of action was asserted against Woodbridge. The case was subsequently voluntarily dismissed without prejudice. Separately, on January 16, 2009, a federal declaratory action was filed by Westchester Fire against the City of Brooksville, Florida in the Federal District Curt for the Middle District

Table of Contents

of Florida. Woodbridge is not a party in that litigation. However, it is anticipated that the federal court declaratory action will resolve the dispute between all parties in its entirety. Based on the claim made by the City on the bonds, at the surety s request, Woodbridge posted a $4.0 million letter of credit as security while the matter is litigated with the City.

We are party to additional various claims and lawsuits which arise in the ordinary course of business. We do not believe that the ultimate resolution of these claims or lawsuits will have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None submitted.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On November 20, 2008, our Class A common stock was de-listed from the New York Stock Exchange (NYSE), where it was previously listed and traded under the symbol WDG . Our Class A common stock is currently being quoted on the Pink Sheets Electronic Quotation Service (Pink Sheets) under the symbol WDGH.PK. BFC is the sole holder of our Class B common stock and there is no trading market for our Class B common stock. The Class B common stock may only be owned by BFC or its affiliates and is convertible into Class A common stock at the discretion of the holder on a share-for-share basis.

The following table sets forth the high and low per share sales prices of our Class A common stock for each quarter during 2007 and 2008. Prices for 2007 and through November 19, 2008 are as reported on the New York Stock Exchange. Prices for the period beginning on November 20, 2008 and ending on December 31, 2008 are as quoted on the Pink Sheets.

	2007		2008	
	High	**Low**	**High**	**Low**
First Quarter	$77.20	$45.95	$13.15	$7.00
Second Quarter	$59.10	$42.35	$11.50	$5.50
Third Quarter	$53.10	$10.00	$ 6.60	$0.78
Fourth Quarter	$20.00	$ 7.70	$ 3.25	$0.02

The stock prices do not include retail mark-ups, mark-downs or commissions. On March 13, 2009, the closing quoted price of our Class A common stock as reported on the Pink Sheets was $0.65 per share.

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total returns (assuming reinvestment of dividends) for the Class A common stock, the Dow Jones U.S. Total Home Construction Index and the Russell 2000 Index and assumes $100 was invested on January 2, 2004.

	Symbol	1/2/04	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
Woodbridge Class A common stock	WDGH.PK	100.00	152.48	113.60	61.31	11.04	0.60
Dow Jones US Total Home Construction Index	DJUSHB	100.00	140.43	161.22	127.99	56.58	38.48
Russell 2000 Index	RTY	100.00	116.18	120.04	140.44	136.58	89.05

Table of Contents

Holders

On March 16, 2009, there were approximately 653 record holders of our Class A Common Stock and 16,656,525 shares of our Class A Common Stock were issued and outstanding. Our controlling shareholder, BFC, holds all of the 243,807 shares of our Class B common stock issued and outstanding.

Dividends

On January 22, 2007 our Board of Directors declared a cash dividend of $0.10 per share on our Class A common stock and Class B common stock, which was paid in February 2007. There were no other dividends declared during the years ended December 31, 2008 or 2007.

The Board has not adopted a policy of regular dividend payments. The payment of dividends in the future is subject to approval by our Board of Directors and will depend upon, among other factors, our results of operations and financial condition. We do not expect to pay dividends to shareholders for the foreseeable future.

Table of Contents

Stock Repurchases

In November 2008, our Board of Directors approved a stock repurchase program which authorized us to repurchase up to 5 million shares of our Class A Common Stock from time to time on the open market or in private transactions. There can be no assurance that we will repurchase all of the shares authorized for repurchase under the program, and the actual number of shares repurchased will depend on a number of factors, including levels of cash generated from operations, cash requirements for acquisitions and investment opportunities, repayment of debt, current stock price, and other factors. The stock repurchase program does not have an expiration date and may be modified or discontinued at any time. In the fourth quarter of 2008, the Company repurchased 2,385,624 shares at a cost of $1.4 million which have been recorded as treasury stock in the Statements of Financial Condition. These treasury stock shares repurchased by the Company were canceled and retired on February 25, 2009 subsequent to December 31, 2008. At December 31, 2008, 2,614,376 shares remained available for repurchase under the stock repurchase program.

The following table provides a summary of the stock repurchase activity under the stock repurchase program during the fourth quarter of 2008:

Period	Total number of shares repurchased	Average price paid per share	Total number of shares repurchased as part of publicly announced program	Maximum number of shares that may yet be repurchased under the program
November 1 - November 30, 2008	13,220	$ 0.4603	13,220	4,986,780
December 1 - December 31, 2008	2,372,404	$ 0.6038	2,372,404	2,614,376
Total	2,385,624	$ 0.6030	2,385,624	2,614,376

Reverse Stock Split

On September 26, 2008, we effected a one-for-five reverse stock split. As a result of the reverse stock split, each five shares of our Class A Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class A Common Stock and each five shares of our Class B Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class B Common Stock. As a result, the number of outstanding shares of Class A Common Stock decreased from 95,197,445 to 19,042,149, and the number of outstanding shares of Class B Common Stock decreased from 1,219,031 to 243,807. The number of authorized shares of our Class A and Class B Common Stock as well as the number of shares of Class A Common Stock available for issuance under our equity compensation plans and the number of shares of Class A Common Stock underlying stock options and other exercisable or convertible instruments were also ratably decreased in connection with the reverse split. All share and per share data presented in this report for prior periods have been retroactively adjusted to reflect the reverse stock split.

Shareholder Rights Plan

As previously reported, in September 2008, we adopted a shareholder rights plan aimed at preserving our ability to utilize our net operating loss carryforwards to offset future taxable income. Under Section 382 of the Internal Revenue Code, if we experience an ownership change (as defined in Section 382), then our ability to use the net operating loss carryforwards would be substantially limited. Accordingly, we adopted the rights plan to deter shareholders from acquiring a 5.0% or greater ownership interest in our Class A Common Stock, as any such acquisition might qualify as an ownership change under Section 382. Shareholders who owned more than 5.0% of our Class A Common Stock as of October 9, 2008 were not required to divest any of their shares.

As part of the adoption of the rights plan, our Board of Directors declared a dividend of one right for each share of our Class A Common Stock and Class B Common Stock held of record as of the close of

Table of Contents

business on October 9, 2008. These rights are not exercisable and are not transferable apart from our Class A Common Stock or Class B Common Stock until the earlier of (i) the 10th business day after such time as a person or group acquires beneficial ownership of 5.0% or more of our Class A Common Stock and (ii) the tenth business day after a person or group commences a tender or exchange offer, the consummation of which would result in beneficial ownership by a person or group of 5.0% or more of our Class A Common Stock. Upon such time, if any, as the rights become exercisable, each rights holder (other than the shareholder whose acquisition triggered the exercisability of the rights and such shareholder s associates and affiliates) may, for $12.00 per right, purchase shares of our Class A Common Stock with a market value of $24.00. As a result, the rights plan will generally cause substantial dilution to any person or group that acquires beneficial ownership of 5.0% or more of the outstanding shares of our Class A Common Stock without the approval of our Board of Directors.

The rights plan will expire on September 29, 2018 unless the rights are earlier redeemed or exchanged in accordance with the rights plan or the rights plan is earlier terminated by our Board of Directors.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data as of and for the years ended December 31, 2004 through 2008. Certain selected financial data presented below as of and for the years ended December 31, 2004 through 2008, are derived from our audited consolidated financial statements. In connection with the filing of the Chapter 11 Cases, Woodbridge deconsolidated Levitt and Sons as of November 9, 2007, eliminating all future operations of Levitt and Sons from Woodbridge s financial results of operations (See Note 24 to our audited consolidated financial statements included in Item 8 for financial information of Levitt and Sons). As a result of the deconsolidation, the consolidated financial condition data for the year ended December 31, 2007 does not include the Primary and Tennessee Homebuilding segments other than the results of Carolina Oak, which was acquired by Woodbridge from Levitt and Sons in 2007. In 2008, the results of operations of Core s commercial leasing projects were reclassified from discontinued operations back into continuing operations. Therefore, the results of operations for these projects were reclassified for all periods presented in the table below. See (Note 2) to our audited consolidated financial statements for further discussion. This table is a summary and should be read in conjunction with the audited consolidated financial statements and related notes thereto which are included elsewhere in this report.

	As of and for the Year Ended December 31,				
	2008	**2007**	**2006**	**2005**	**2004**
	(Dollars in thousands, except per share, unit and average price data)				
Consolidated Operations:					
Revenues from sales of real estate	$ 13,837	410,115	566,086	558,112	549,652
Cost of sales of real estate (a)	12,728	573,241	482,961	408,082	406,274
Margin (a)	1,109	(163,126)	83,125	150,030	143,378
Earnings from Bluegreen Corporation	8,996	10,275	9,684	12,714	13,068
Selling, general & administrative expenses	50,754	117,924	121,151	87,639	71,001
Impairment of investment in Bluegreen Corporation	(94,426)				
Impairment of other investments	(14,120)				
Net (loss) income	$ (140,331)	(234,620)	(9,164)	54,911	57,415
Basic (loss) earnings per common share (e)	$ (7.35)	(30.00)	(2.27)	13.58	15.19
Diluted (loss) earnings per common share (e)	$ (7.35)	(30.00)	(2.29)	13.15	14.64
Basic weighted average common shares outstanding (thousands) (c) (e)	19,088	7,821	4,045	4,044	3,779
Diluted weighted average common shares outstanding (thousands) (c) (e)	19,088	7,821	4,045	4,156	3,861
Dividends declared per common share (e)	$	0.10	0.40	0.40	0.20
Consolidated Financial Condition Data:					
Cash	$ 114,798	195,181	48,391	113,562	125,522
Inventory of real estate	$ 241,318	227,290	822,040	611,260	413,471
Investment in Bluegreen Corporation	$ 29,789	116,014	107,063	95,828	80,572

Total assets	$ 559,254	712,851	1,090,666	895,673	678,467
Total debt	$ 349,952	353,790	615,703	407,970	268,226
Total liabilities	$ 439,724	451,745	747,427	545,887	383,678
Shareholders equity	$ 119,530	261,106	343,239	349,786	294,789
Book value per share (d)	$ 7.07	13.56	86.50	88.17	74.33

(a) Margin is calculated as sales of real estate minus cost of sales of real estate. Included in cost of sales of real estate for the year ended December 31, 2008 is an impairment charge associated with the Carolina Oak homebuilding project in the amount of $3.5 million. Additionally, included in cost of sales of real estate for the years ended December 31, 2007 and 2006 are homebuilding inventory impairment charges and write-offs of deposits and pre-acquisition costs of $206.4 million and $31.1 million, respectively, in our Primary Homebuilding segment. In our Tennessee Homebuilding segment, impairment charges amounted to $11.2 million and $5.7 million in the years ended December 31, 2007 and 2006, respectively, which were included in cost of sales.

(b) Diluted (loss) earnings per share takes into account the dilutive effect of our stock options and restricted stock using the treasury stock method and the dilution in earnings we recognize as a result of outstanding Bluegreen securities that entitle the holders thereof to acquire

Table of Contents

shares of Bluegreen s common stock.

(c) The weighted average number of common shares outstanding in basic and diluted (loss) earnings per common share for 2006, 2005 and 2004 were retroactively adjusted for the number of shares representing the bonus element arising from the rights offering that closed on October 1, 2007. Under the rights offering, shares of our Class A common stock were issued on October 1, 2007 at a purchase price below the market price of such shares on that date resulting in the bonus element of 1.97%. The number of weighted average shares of Class A common stock was retroactively increased by this percentage for 2006, 2005 and 2004.

(d) Book value per share is calculated as shareholders equity divided by total number of shares issued and outstanding as of December 31 of each year.

(e) On September 26, 2008, we effected a one-for-five reverse stock split. As a result of the reverse stock split, each five shares of our Class A Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class A Common Stock and each five shares of our Class B Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class B Common Stock. Accordingly, all share and per share data presented in this report for prior periods have been retroactively adjusted to reflect the reverse stock split.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

We continue to focus on managing our real estate holdings during this challenging period for the real estate industry, and on efforts to bring costs in line with our strategic objectives. We have taken steps to align our staffing levels and compensation with these objectives. Our goal is to pursue acquisitions and investments in diverse industries, including investments in affiliates, using a combination of our cash and stock and third party equity and debt financing. This business strategy may result in acquisitions and investments both within and outside of the real estate industry. We may acquire entire businesses or majority or minority, non-controlling interests in companies. Under this business model, we likely will not generate a consistent earnings stream and the composition of our revenues may vary widely due to factors inherent in a particular investment, including the maturity and cyclical nature of, and market conditions relating to, the business invested in. We expect that net investment gains and other income will depend on the success of our investments as well as overall market conditions. We also intend to pursue strategic initiatives with a view to enhancing liquidity. These initiatives may include pursuing alternatives to monetize a portion of our interests in certain of Core s assets through sale, possible joint ventures or other strategic relationships.

Our operations have historically been concentrated in the real estate industry which is cyclical in nature. Our largest subsidiary is Core Communities, a developer of master-planned communities, which sells land to residential builders as well as to commercial developers, and internally develops, constructs and leases income producing commercial real estate. In addition, our Other Operations segment consists of an equity investment in Bluegreen, a NYSE-listed company, which represents approximately 31% of Bluegreen s outstanding common stock, a consolidated investment in Pizza Fusion, a private company in which we made a $3.0 million investment in the third quarter of 2008 which represents approximately 41% of Pizza Fusion s outstanding stock, and a cost method investment in Office Depot, a NYSE- listed company in which we own less than 1% of the outstanding common stock. Bluegreen is engaged in the acquisition, development, marketing and sale of ownership interests in primarily drive-to vacation resorts, and the development and sale of golf communities and residential land. Our Other Operations segment also includes the activities of our consolidated subsidiary, Carolina Oak, which engaged in homebuilding activities at Tradition Hilton Head prior to the suspension of those activities during the fourth quarter of 2008. As previously reported, the results of operations and financial condition of Carolina Oak as of and for the years ended December 31, 2007 and 2006 were included in the Primary Homebuilding segment because its financial metrics were similar in nature to the other homebuilding projects within that segment. However, due to our acquisition of Carolina Oak and the deconsolidation of Levitt and Sons as of November 9, 2007, which comprised our Primary Homebuilding and Tennessee Homebuilding segments, the results of operations and financial condition of Carolina Oak as of and for the year ended December 31, 2008 are included in the Other Operations segment.

Financial and Non-Financial Metrics

Performance and prospects are evaluated using a variety of financial and non-financial metrics. The key financial metrics utilized to evaluate historical operating performance include revenues from sales of real estate, margin (which we measure as revenues from sales of real estate minus cost of sales of real estate), margin percentage (which we measure as margin divided by revenues from sales of real estate), net (loss) income and return on equity. We also continue to evaluate and monitor selling, general and administrative expenses as a percentage of revenue, our ratios of debt to shareholders equity and debt to total capitalization and our cash requirements. Non-financial metrics used to evaluate historical performance include saleable acres in our Land Division and the number of acres in our backlog. In evaluating future prospects, management considers financial results as well as non-financial information such as acres in backlog (measured as land subject to an executed sales contract). The ratio of debt to shareholders equity and cash requirements are also considered when evaluating future prospects, as are general economic factors and interest rate trends. These metrics are not an exhaustive list, and management may from time to time utilize different financial and non-financial information or may not use all of the metrics mentioned above.

Critical Accounting Policies and Estimates

Management views critical accounting policies as accounting policies that are important to the understanding of our financial statements and also involve estimates and judgments about inherently uncertain matters. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and assumptions that affect the recognition of revenues and expenses on the consolidated statements of operations for the periods presented. These estimates require the exercise of judgment, as future events cannot be determined with certainty. Material estimates that are particularly susceptible to significant change in subsequent periods relate to revenue and cost recognition on percent complete projects, reserves and accruals, impairment reserves of assets, valuation of real estate, estimated costs to complete construction, reserves for litigation and contingencies and deferred tax valuation allowances. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect.

We have identified the following accounting policies that management views as critical to the accurate portrayal of our financial condition and results of operations.

Loss in excess of investment in Levitt and Sons

Under ARB No. 51, consolidation of a majority-owned subsidiary is precluded where control does not rest with the majority owners. Under these rules, legal reorganization or bankruptcy represents conditions which can preclude consolidation or equity method accounting as control rests with the Bankruptcy Court, rather than the majority owner. As described elsewhere in this report, Levitt and Sons, our wholly-owned subsidiary, filed a petition for bankruptcy on November 9, 2007. Accordingly, we deconsolidated Levitt and Sons as of November 9, 2007, eliminating all future operations from our financial results of operations. In accordance with ARB No. 51, we follow the cost method of accounting to record our interest in Levitt and Sons. Under cost method accounting, income may be recognized to the extent only cash is received in the future or when Levitt and Sons is legally released from its bankruptcy obligations through the approval of the Bankruptcy Court, at which time any loss in excess of the investment in Levitt and Sons will be recognized into income. See (Note 24) to our audited consolidated financial statements for further discussion.

Fair Value Measurements

Effective January 1, 2008, we partially adopted the provisions of SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which requires us to disclose the fair value of our investments in unconsolidated trusts and equity securities, including our investments in Bluegreen and Office Depot. Under this standard, fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). In determining fair value, we are sometimes required to use various valuation techniques. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs, when there is little or no market data, which require the reporting entity to develop its own assumptions.

Table of Contents

When valuation techniques, other than those described as Level 1 are utilized, management must make estimations and judgments in determining the fair value for its investments. The degree to which management s estimation and judgment is required is generally dependent upon the market pricing available for the investments, the availability of observable inputs, the frequency of trading in the investments and the investment s complexity. If we make different judgments regarding unobservable inputs, we could potentially reach different conclusions regarding the fair value of our investments.

Investments

We determine the appropriate classifications of investments in equity securities at the acquisition date and re-evaluate the classifications at each balance sheet date. For entities where we are not deemed to be the primary beneficiary under FIN No. 46(R) or in which we have less than a controlling financial interest evaluated under AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* or Emerging Issues Task Force No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* , these entities are accounted for using the equity or cost method of accounting. Typically, the cost method is used if we own less than 20% of the investee s stock and the equity method is used if we own more than 20% of the investee s stock. However, we have concluded that the percentage ownership of stock is not the sole determinant in applying the equity or the cost method, but the significant factor is whether the investor has the ability to significantly influence the operating and financial policies of the investee.

Equity Method

We follow the equity method of accounting to record our interests in entities in which we do not own the majority of the voting stock or record our investment in VIEs in which we are not the primary beneficiary. These entities consist of Bluegreen Corporation and statutory business trusts. The statutory business trusts are VIEs in which we are not the primary beneficiary. Under the equity method, the initial investment in a joint venture is recorded at cost and is subsequently adjusted to recognize our share of the joint venture s earnings or losses. Distributions received and other-than-temporary impairments reduce the carrying amount of the investment.

Cost Method

We use the cost method for investments where we own less than a 20% interest and do not have the ability to significantly influence the operating and financial policies of the investee in accordance with relative accounting guidance. SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* , requires us to designate our securities as held to maturity, available for sale, or trading, depending on our intent with regard to our investments at the time of purchase. There are currently no securities classified as held to maturity or trading.

Impairment

Securities classified as available-for-sale are carried at fair value with net unrealized gains or losses reported as a component of accumulated other comprehensive income (loss), but do not impact our results of operations. Changes in fair value are taken to income when a decline in value is considered other-than-temporary.

We review our equity and cost method investments quarterly for indicators of other-than-temporary impairment in accordance with FSP FAS 115-1/FAS 124-1 and SAB No. 59. This determination requires significant judgment in which we evaluate, among other factors, the fair market value of the investments, general market conditions, the duration and extent to which the fair value of the investment is less than cost, and our intent and ability to hold the investment until it recovers. We also consider specific adverse conditions related to the financial health of, and business outlook for, the investee, including industry and sector performance, rating agency actions, changes in operational and financing cash flow factors. If a decline in the fair value of the investment is determined to be other-than-temporary, an impairment charge is recorded to reduce the investment to its fair value and a new cost basis in the investment is established.

Goodwill and Intangible Assets

We recorded certain intangible assets in connection with our acquisition of Pizza Fusion. Intangible assets consist primarily of franchise contracts which were valued using a discounted cash flow methodology and are amortized over the average life of the franchise contracts. The estimates of useful lives and expected cash flows require us to make significant judgments regarding future periods that are subject to outside factors. In accordance with SFAS No. 144, we evaluate when events and circumstances indicate that assets may be impaired and when the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The carrying value of these assets is dependent upon estimates of future earnings that we expect to generate. If cash flows decrease significantly, intangible assets may be impaired and would be written down to their fair value.

On at least an annual basis, we conduct a review of our goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), to determine whether the carrying value of goodwill exceeds the fair market value using a discounted cash flow methodology. In the year ended December 31, 2006, we conducted an impairment review of the goodwill related to our Tennessee Homebuilding segment, the operations of which were comprised of the activities of Bowden Building Corporation, which we acquired in 2004. We used a discounted cash flow methodology to determine the amount of impairment resulting in completely writing off goodwill of approximately $1.3 million in the year ended December 31, 2006. The write-off is included in other expenses in the consolidated statements of operations.

Revenue Recognition

Revenue and all related costs and expenses from house and land sales are recognized at the time that closing has occurred, when title and possession of the property and the risks and rewards of ownership transfer to the buyer, and when we do not have a substantial continuing involvement in accordance with SFAS No. 66, *Accounting for Sales of Real Estate* (SFAS 66). In order to properly match revenues with expenses, we estimate construction and land development costs incurred and to be incurred, but not paid at the time of closing. Estimated costs to complete are determined for each closed home and land sale based upon historical data with respect to similar product types and geographical areas and allocated to closings along with actual costs incurred based on a relative sales value approach. To the extent the estimated costs to complete have significantly changed, we will adjust cost of sales in the current period for the impact on cost of sales of previously sold homes and land to ensure a consistent margin of sales is maintained.

Revenue is recognized for certain land sales on the percentage-of-completion method when the land sale takes place prior to all contracted work being completed. Pursuant to the requirements of SFAS 66, if the seller has a continuing involvement with the property and does not transfer substantially all of the risks and rewards of ownership, profit is recognized based on the nature and extent of the seller s continuing involvement. In the case of our land sales, this involvement typically consists of final development activities. We recognize revenue and related costs as work progresses using the percentage-of-completion method, which relies on estimates of total expected costs to complete required work. Revenue is recognized in proportion to the percentage of total costs incurred in relation to estimated total costs at the time of sale. Actual revenues and costs to complete construction in the future could differ from our current estimates. If our estimates of development costs remaining to be completed and relative sales values are significantly different from actual amounts, then our revenues, related cumulative profits and costs of sales may be revised in the period that estimates change.

Other revenues consist primarily of rental property income, marketing revenues, irrigation service fees, and title and mortgage revenue. Irrigation service connection fees are deferred and recognized systematically over the life of the irrigation plant. Irrigation usage fees are recognized when billed as the service is performed. Rental property income consists of rent revenue from long-term leases of commercial property. We review all new leases in accordance with SFAS No. 13 *Accounting for Leases* . If the lease contains fixed escalations for rent, free-rent periods or upfront incentives, rental revenue is recognized on a straight-line basis over the life of the lease.

Effective January 1, 2006, Bluegreen adopted AICPA Statement of Position 04-02, *Accounting for Real Estate Time-Sharing Transactions* (SOP 04-02). This Statement amends FASB Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects* (FAS No. 67), to state that the guidance for incidental operations and costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the

Table of Contents

guidance in SOP 04-02. Bluegreen s adoption of SOP 04-02 resulted in a one-time, non-cash, cumulative effect of change in accounting principle charge of $4.5 million to Bluegreen for the year ended December 31, 2006, and accordingly reduced the earnings in Bluegreen recorded by us by approximately $1.4 million for the same period.

Income Taxes

We record income taxes using the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequence of temporary differences between the financial statement and income tax basis of our assets and liabilities. We estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated statements of financial condition. The recording of a net deferred tax asset assumes the realization of such asset in the future. Otherwise, a valuation allowance must be recorded to reduce this asset to its net realizable value. We consider future pretax income and ongoing prudent and feasible tax strategies in assessing the need for such a valuation allowance. In the event that we determine that we may not be able to realize all or part of the net deferred tax asset in the future, a valuation allowance for the deferred tax asset is charged against income in the period such determination is made. See Item 1. Business Recent Developments for a description of the shareholder rights plan we adopted in September 2008 which is aimed at preserving our ability to use our net operating loss carryforwards to offset future taxable income.

We file a consolidated Federal and Florida income tax return. Separate state returns are filed by subsidiaries that operate outside the state of Florida. Even though Levitt and Sons and its subsidiaries have been deconsolidated from Woodbridge for financial statement purposes, they continue to be included in our Federal and Florida consolidated tax returns until the discharge of Levitt and Sons from bankruptcy. See (Note 21) for information regarding the bankruptcy filing of Levitt and Sons. As a result of the deconsolidation of Levitt and Sons, all of Levitt and Sons net deferred tax assets are no longer presented in the consolidated statement of financial condition at December 31, 2008 but remain a part of Levitt and Sons condensed consolidated financial statements at December 31, 2008 and accordingly will be part of the tax return.

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB No. 109* (FIN 48), on January 1, 2007. FIN 48 provides guidance on recognition, measurement, presentation and disclosure in financial statements of uncertain tax positions that a company has taken or expects to take on a tax return. FIN 48 substantially changes the accounting policy for uncertain tax positions. As a result of the implementation of FIN 48, we recognized a decrease of $260,000 in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of retained earnings. At December 31, 2008 and 2007, we had gross tax-affected unrecognized tax benefits of $2.4 million, of which $0.2 million, if recognized, would affect the effective tax rate.

Table of Contents

Consolidated Results of Operations

	Year Ended December 31, 2008	2007	2006	2008 vs. 2007 Change	2007 vs. 2006 Change
	(In thousands, except per share data)				
Revenues					
Sales of real estate	$ 13,837	410,115	566,086	(396,278)	(155,971)
Other revenues	11,701	10,458	9,241	1,243	1,217
Total revenues	25,538	420,573	575,327	(395,035)	(154,754)
Costs and expenses					
Cost of sales of real estate	12,728	573,241	482,961	(560,513)	90,280
Selling, general and administrative expenses	50,754	117,924	121,151	(67,170)	(3,227)
Interest expense	10,867	3,807		7,060	3,807
Other expenses		3,929	3,677	(3,929)	252
Total costs and expenses	74,349	698,901	607,789	(624,552)	91,112
Earnings from Bluegreen Corporation	8,996	10,275	9,684	(1,279)	591
Impairment of investment in Bluegreen Corporation	(94,426)			(94,426)	
Impairment of other investments	(14,120)			(14,120)	
Interest and other income	8,030	11,264	7,844	(3,234)	3,420
Loss before income taxes	(140,331)	(256,789)	(14,934)	116,458	(241,855)
Benefit for income taxes		22,169	5,770	(22,169)	16,399
Net loss	$ (140,331)	(234,620)	(9,164)	94,289	(225,456)
Basic loss per share (c)	$ (7.35)	(30.00)	(2.27)	22.65	(27.73)
Total diluted loss per share (a) (c)	$ (7.35)	(30.00)	(2.29)	22.65	(27.71)
Basic weighted average shares outstanding (b) (c)	19,088	7,821	4,045	11,267	3,776
Diluted weighted average shares outstanding (b) (c)	19,088	7,821	4,045	11,267	3,776

(a) Diluted loss per share takes into account (i) the dilution in earnings we recognize from Bluegreen as a result of outstanding securities issued by Bluegreen that enable the holders thereof to acquire shares of Bluegreen s common stock and (ii) the dilutive effect of our stock options and restricted stock using the treasury stock method.

(b) The weighted average number of common shares outstanding in basic and diluted loss per common share for 2006 were retroactively adjusted for a number of shares representing the bonus element arising from the rights offering that closed on October 1, 2007. Under the rights offering, shares of our Class A common stock were issued on October 1, 2007 at a purchase price below the market price of such shares on that date resulting in the bonus element of 1.97%. The number of weighted average shares of Class A common stock was retroactively increased by this percentage for 2006.

(c) On September 26, 2008, we effected a one-for-five reverse stock split. As a result of the reverse stock split, each five shares of our Class A Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class A Common Stock and each five shares of our Class B Common Stock outstanding at the time of the reverse stock split automatically converted into one share of Class B Common Stock. Accordingly, all share and per share data presented in this report for prior periods have been retroactively adjusted to reflect the reverse stock split.

As of November 9, 2007, the accounts of Levitt and Sons were deconsolidated from our consolidated statements of financial condition and statements of operations. Therefore, the financial data and comparative analysis in the preceding table reflected operations through November 9, 2007 related to the Primary Homebuilding and Tennessee Homebuilding segments compared to full year results of operations in 2006, with the exception of Carolina Oak which was included in the above table for the full year in 2007 since this subsidiary was not part of the Chapter 11 Cases.

For the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

We incurred a consolidated net loss of $140.3 million for the year ended December 31, 2008 as compared to a consolidated net loss of $234.6 million for the year ended December 31, 2007. During 2008, we recorded impairment charges of $112.0 million, of which $108.5 million related to our investments and $3.5 million related to Carolina Oak s inventory of real estate, compared to impairment charges of $226.9 million related to Levitt and Sons inventory of real estate recorded during 2007 in cost of sales. Levitt and Sons incurred a net loss of $231.4 million for the year ended December 31, 2007, which represented 98.6% of our consolidated net loss for that period. As previously disclosed, we deconsolidated Levitt and Sons as of November 9, 2007. Excluding the results of Levitt and Sons, the net loss increased by $135.0 million for the year ended December 31, 2008, primarily due to impairment charges recorded in 2008 relating to our investments in Bluegreen, Office Depot and unconsolidated trusts, and impairment charges relating to Carolina Oak s inventory of real estate. No impairment charges related to these items were recorded in 2007. In addition, our total revenues decreased in both the Land Division and Other Operations segment during 2008 as sales of real estate decreased reflecting a further deterioration of the real estate markets, interest expense increased because less assets qualified for interest capitalization, our earnings from Bluegreen decreased as Bluegreen s net income decreased in 2008 compared to 2007 and the benefit for income taxes decreased as our effective tax rate for 2008 was 0.0% compared to 8.6% in 2007.

Revenues from sales of real estate decreased to $13.8 million for the year ended December 31, 2008 from $410.1 million for the year ended December 31, 2007. This decrease was primarily attributable to the deconsolidation of Levitt and Sons at November 9, 2007 as well as a decrease in sales of real estate in the Land Division and Other Operations. Levitt and Sons revenues from sales of real estate amounted to $387.7 million in 2007. Revenues from sales of real estate for the year ended December 31, 2008 in the Land Division decreased to $11.3 million, from $16.6 million in 2007 reflecting the sale of approximately 35 acres in 2008 compared to 40 acres in 2007. In Other Operations, revenues from sales of real estate for the year ended December 31, 2008 were $2.5 million reflecting the delivery of 8 units in Carolina Oak, compared to revenues from sales of real estate of $6.6 million in Levitt Commercial reflecting the delivery of 17 units in 2007.

Other revenues increased $1.2 million to $11.7 million for the year ended December 31, 2008, compared to $10.5 million during the year ended December 31, 2007. Other revenues increased primarily as a result of higher leasing revenues due to the opening of the Landing at Tradition retail power center in late 2007. The increase was offset in part by decreased title and mortgage operations revenues associated with Levitt and Sons as it was not included in the consolidated results of operations for the year ended December 31, 2008. In addition, there was decreased marketing income associated with Tradition, Florida.

Cost of sales of real estate decreased to $12.7 million during the year ended December 31, 2008, as compared to $20.7 million (excluding cost of sales, which included impairment provisions, associated with Levitt and Sons) for the year ended December 31, 2007 as sales of real estate decreased in the Land Division and Other Operations. Cost of sales of real estate in the Land Division decreased as we sold approximately 35 acres in the year ended December 31, 2008, compared to approximately 40 acres in 2007. In Other Operations, we delivered 8 units in Carolina Oak in the year ended December 31, 2008, compared to the delivery of 17 units in Levitt Commercial in 2007. In addition, we recorded $3.5 million of impairment charges related to Carolina Oak s inventory of real estate in 2008, compared to $9.3 million in impairment charges related to capitalized interest in Other Operations recorded in 2007.

Selling, general and administrative expenses decreased $67.2 million to $50.8 million during the year ended December 31, 2008 compared to $117.9 million during the year ended December 31, 2007. This decrease was primarily related to the deconsolidation of Levitt and Sons at November 9, 2007. Selling, general and administrative expenses attributable to Levitt and Sons in the year ended December 31, 2007 were $66.6 million. Consolidated selling, general and administrative expenses, excluding those attributable to Levitt and Sons, remained relatively unchanged in 2008 compared to 2007 totaling $50.8 million in the year ended December 31, 2008, and $51.3 million in 2007. We incurred higher property management expenses related to our commercial leasing activities, higher property tax expense due to less acreage in active development and higher expenses related to the support of community and commercial associations in our master-planned communities in the Land Division as well as higher other administrative expenses associated with marketing activities in South Carolina in 2008 compared to 2007. In addition, depreciation expenses were higher in 2008 mainly as a result of a depreciation recapture related to the reclassification of discontinued operations, and insurance costs were higher due to the absorption of certain of Levitt and Sons insurance costs. The above increases were offset by lower office related expenses, decreased severance charges and decreased employee compensation, benefits and incentives expense reflecting a lower associate headcount in the year ended December 31, 2008 compared to 2007 as a result of staff reductions. The number of employees decreased to 84 employees at December 31, 2008 from 125 employees at December 31, 2007.

Interest expense consists of interest incurred minus interest capitalized. Interest incurred for the years ended December 31, 2008 and 2007 totaled $22.4 million and $50.8 million, respectively, while interest capitalized totaled $11.5 million for the year ended December 31, 2008 compared to $47.0 million in 2007. Interest expense for the year ended December 31, 2008 was $10.9 million compared to $3.8 million in 2007. The increase in interest expense was due to the completion of certain phases of development associated with our real estate inventory late in 2007, which resulted in a decreased amount of assets which qualified for interest capitalization and, therefore, the expensing of the related interest was only recorded in the fourth quarter of 2007 compared to the full year of 2008. Interest incurred was lower mainly due to decreases in the average interest rates on our debt and lower outstanding balances of notes and mortgage notes payable primarily due to the deconsolidation of Levitt and Sons at November 9, 2007. At the time of land or home sales, the capitalized interest allocated to inventory is charged to cost of sales. Cost of sales of real estate for the years ended December 31, 2008 and 2007 included previously capitalized interest of approximately $326,000 and $17.9 million, respectively.

We did not incur other expenses in the year ended December 31, 2008, compared to $3.9 million in 2007, which consisted of a surety bond accrual, a write-off of leasehold improvements and title and mortgage operations expense. Due to the cessation of most development activity at Levitt and Sons projects, we evaluated Woodbridge s exposure on the surety bonds and letters of credit supporting any Levitt and Sons projects based on indemnities Woodbridge provided to the bond holders and recorded $1.8 million in surety bonds accrual related to certain bonds where management considered it probable that reimbursement of the surety under the applicable indemnity agreement would be required. In addition to the surety bond accrual, the Other Operations segment also recorded a write-off of leasehold improvements. As part of reductions in workforce, we vacated certain leased space. Leasehold improvements in the amount of $564,000 related to the vacated space will not be recovered and were written-off in the year ended December 31, 2007. In addition, title and mortgage operations expense related to Levitt and Sons was $1.5 million.

Bluegreen reported a net loss for the year ended December 31, 2008 of $516,000, compared to net income of $31.9 million in 2007. For the year ended December 31, 2008, our interest in Bluegreen s earnings was $9.0 million (after the amortization of approximately $9.2 million related to the change in the basis as a result of the impairment charge on this investment at September 30, 2008), compared to $10.3 million in 2007. We review our investment in Bluegreen for impairment on a quarterly basis or as events or circumstances warrant for other-than-temporary declines in value. Based on the evaluations performed, we recorded an other-than-temporary impairment charge of $53.6 million at September 30, 2008 and an additional other-than-temporary impairment charge of $40.8 million at December 31, 2008. See (Note 10) to our audited consolidated financial statements included in Item 8 for further details of the impairment analysis of our investment in Bluegreen.

Interest and other income decreased to $8.0 million in the year ended December 31, 2008, from $11.3 million in 2007. This decrease was related to a $5.8 million decrease in forfeited deposits in 2008 due to the deconsolidation of Levitt and Sons at November 9, 2007. The decrease was partially offset by a $2.5 million gain on sale of property and equipment and a $1.2 million gain on sale of equity securities during 2008.

We had an effective tax rate of 0.0% in the year ended December 31, 2008 compared to 8.6% in the year ended December 31, 2007. The decrease in the effective tax rate is a result of recording a valuation allowance for those deferred tax assets that are not expected to be recovered in the future. Due to large taxable losses in 2007 and 2008 and expected taxable losses in the foreseeable future, we may not have sufficient taxable income of the appropriate character in the future and prior carryback years to realize any portion of the net deferred tax asset. At December 31, 2008, we had $155.6 million in gross deferred tax assets. After consideration of $2.3 million of deferred tax liabilities, a valuation allowance of $154.1 million was recorded. The increase in the valuation allowance from December 31, 2007 is $75.5 million. See Item 1. Business Recent Developments for a description of the shareholder rights plan we adopted during September 2008 which is aimed at preserving our ability to use our net operating loss carryforwards to offset future taxable income.

For the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

We had a consolidated net loss of $234.6 million for the year ended December 31, 2007 as compared to a net loss of $9.2 million for the year ended December 31, 2006. The significant loss in the year ended December 31, 2007 was the result of $226.9 million of impairment charges recorded relating to inventory of real estate of which $217.6 million was recorded in the Homebuilding Division and $9.3 million was recorded in the Other Operations segment related to capitalized interest. This compares to $36.8 million of impairment charges recorded in the year ended December 31, 2006. In addition, there were decreased sales of real estate and margins on sales of real estate by all segments, and higher selling, general and administrative expenses in the Other Operations segment and our Land Division. Interest expense was $3.8 million for the year ended December 31, 2007 while there was no interest expense in 2006. These increased expenses and lower sales of real estate were slightly offset by higher interest and other income as a result of higher interest income and forfeited deposits, and an increase in other revenues related to increased commercial lease activity generating higher rental revenues.

Revenues from sales of real estate decreased to $410.1 million for the year ended December 31, 2007 from $566.1 million for the year ended December 31, 2006. This decrease was attributable to fewer homes delivered in the Homebuilding Division, and fewer sales in both Other Operations and the Land Division. The Homebuilding Division had lower revenue despite the average sales price of units delivered increasing to $321,000 in 2007 compared to $302,000 in the same period in 2006 due to the number of deliveries decreasing to 1,144 homes as compared to 1,660 homes during the same period in 2006. In Other Operations, Levitt Commercial delivered 17 units during the year ended December 31, 2007 recording $6.6 million in revenues compared to 29 units during the year ended December 31, 2006 and $11.0 million in revenues. The Land Division sold approximately 40 acres in the year ended December 31, 2007 as compared to 371 acres in 2006. These decreases were slightly offset by an increase in land sales recorded by the Homebuilding Division which totaled $20.1 million for the year ended December 31, 2007 while there were no comparable sales in 2006.

Other revenues increased $1.2 million to $10.5 million for the year ended December 31, 2007, from $9.2 million during the year ended December 31, 2006, due to increased commercial lease activity generating higher rental revenues, offset in part by lower title and mortgage operations revenues due to fewer closings.

Cost of sales of real estate increased $90.3 million to $573.2 million during the year ended December 31, 2007, as compared to $483.0 million for the year ended December 31, 2006. The increase in cost of sales was due to increased impairment charges in an aggregate amount of $226.9 million recorded in 2007 compared to $36.8 million recorded in 2006. In addition, included in cost of sales was approximately $18.8 million associated with sales by both segments of the Homebuilding Division of land that management decided not to develop further, while there were no similar sales or costs in 2006. These increases were offset by lower cost of sales due to fewer land sales recorded by the Land Division and the Other Operations segment and fewer units delivered by both segments of the Homebuilding Division.

Consolidated margin percentage declined during the year ended December 31, 2007 to a negative margin of 39.8% compared to a margin of 14.7% in the year ended December 31, 2006 primarily related to the impairment charges recorded in the Homebuilding Division and Other Operations segment. Consolidated gross margin excluding impairment charges was 15.5% in the year ended December 31, 2007 compared to a gross margin of 21.2% in 2006. The decline was associated with significant discounts offered in 2007 in an attempt to reduce cancellations and encourage buyers to close, aggressive pricing discounts on spec units and a lower margin being earned on land sales.

Selling, general and administrative expenses decreased $3.2 million to $117.9 million during the year ended December 31, 2007 compared to $121.2 million during the year ended December 31, 2006 primarily as a result of decreased employee compensation and benefits and other general and administrative charges in the Homebuilding Division and Other Operations as a result of the multiple reductions in force that occurred in 2007. In addition, annual incentive compensation recorded in 2007 was significantly less throughout all segments of the business compared to the year ended December 31, 2006 due to the significant reductions in force in the Homebuilding Division and significant operating losses in 2007. In addition, Levitt and Sons was deconsolidated as of November 9, 2007 and the selling, general and administrative expenses of Levitt and Sons were reflected through November 9, 2007 compared to a full year of selling, general and administrative expenses in 2006. These decreases were slightly offset by increased selling, general and administrative expenses in the Land Division segment related to operating costs associated with the commercial leasing business and increasing activity in the master-planned community in Tradition Hilton Head and restructuring related expenses recorded in Other Operations and the Homebuilding Division in the amount of $7.4 million which included severance related expenses, facilities expenses, and independent contractor expenses. As a percentage of total revenues, selling, general and administrative expenses increased to 28.0% during the year ended December 31, 2007, from 21.1% during 2006 as a result of decreased revenues.

Interest incurred totaled $50.8 million and $42.0 million for the years ended December 31, 2007 and 2006, respectively. While all interest was capitalized in the year ended December 31, 2006, only $47.0 million was capitalized in 2007. This resulted in interest expense of $3.8 million in the year ended December 31, 2007, compared to no interest expense in the same period in 2006. The increase in interest expense was due to the completion of certain phases of development associated with our real estate inventory, which resulted in a decreased amount of assets which qualified for interest capitalization in 2007 compared to 2006. Interest incurred was higher due to higher average debt balances for the year ended December 31, 2007 as compared to the same period in 2006, as well as increases in the average interest rate on our variable-rate debt. At the time of home closings and land sales, the capitalized interest allocated to such inventory is charged to cost of sales. Cost of sales of real estate for the years ended December 31, 2007 and 2006 included previously capitalized interest of approximately $17.9 million and $15.4 million, respectively.

Other expenses increased slightly to $3.9 million during the year ended December 31, 2007 from $3.7 million in 2006. In the year ended December 31, 2007, we recorded a surety bond accrual of $1.8 million that did not exist in 2006. In addition to the surety bond accrual, the Other Operations segment also recorded a write-off of leasehold improvements which did not exist in 2006. As part of the reductions in force discussed above and the Chapter 11 Cases, we vacated certain leased space. Leasehold improvements in the amount of $564,000 related to the vacated space will not be recovered and were written-off in the year ended December 31, 2007. These increases were offset as we did not record a write-down of goodwill in 2007, compared to the write-down of goodwill in 2006 of approximately $1.3 million associated with the Tennessee Homebuilding segment. In addition, title and mortgage expense decreased due to the decrease in closings.

Bluegreen reported net income for the year ended December 31, 2007 of $31.9 million, as compared to net income of $29.8 million in 2006. In the first quarter of 2006, Bluegreen adopted SOP 04-02 and recorded a one-time, non-cash, cumulative effect of change in accounting principle charge of $4.5 million, which contributed to the slight increase in 2007. Our interest in Bluegreen s income was $10.3 million for the year ended December 31, 2007 compared to $9.7 million in 2006.

Interest and other income increased from $7.8 million during the year ending December 31, 2006 to $11.3 million during the same period in 2007. The increase was due to higher forfeited deposits on cancelled contracts in our Homebuilding Division as well as higher interest income due to the investment of the proceeds from the Rights Offering.

The benefit for income taxes had an effective rate of 8.6% in the year ended December 31, 2007 compared to 38.6% in the year ended December 31, 2006. The decrease in the effective tax rate was the result of recording a valuation allowance in the year ended December 31, 2007 for those deferred tax assets that are not expected to be recovered in the future. At December 31, 2007, we had $102.6 million in gross deferred tax assets. After consideration of $24.0 million of deferred tax liabilities and the ability to carryback losses, a valuation allowance of $78.6 million was recorded. The increase in the valuation allowance from December 31, 2006 was $78.1 million.

Table of Contents

Land Division Results of Operations

	Year Ended December 31, 2008	2007	2006	2008 vs. 2007 Change	2007 vs. 2006 Change
	(Dollars in thousands)				
Revenues					
Sales of real estate	$ 11,268	16,567	69,778	(5,299)	(53,211)
Other revenues	10,592	7,585	3,816	3,007	3,769
Total revenues	21,860	24,152	73,594	(2,292)	(49,442)
Costs and expenses					
Cost of sales of real estate	6,632	7,447	42,662	(815)	(35,215)
Selling, general and administrative expenses	24,608	19,077	15,119	5,531	3,958
Interest expense	3,637	2,629		1,008	2,629
Total costs and expenses	34,877	29,153	57,781	5,724	(28,628)
Interest and other income	5,685	4,489	2,650	1,196	1,839
(Loss) income before income taxes	(7,332)	(512)	18,463	(6,820)	(18,975)
Provision for income taxes		(5,910)	(6,936)	5,910	1,026
Net (loss) income	$ (7,332)	(6,422)	11,527	(910)	(17,949)
Operational data:					
Acres sold (a)	40	40	371		(331)
Margin percentage (b)	41.1%	55.0%	38.9%	(13.9)%	16.1%
Unsold saleable acres	6,639	6,679	6,871	(40)	(192)
Acres subject to sales contracts Third parties	10	259	74	(249)	185
Aggregate sales price of acres subject to sales contracts to third parties	$ 1,050	77,888	21,124	(76,838)	56,764

(a) Includes 5 acres sold related to commercial projects.

(b) Margin percentage is calculated by dividing margin (sales of real estate minus cost of sales of real estate) by sales of real estate. Sales of real estate and margin percentage include lot sales, revenues from look back provisions and recognition of deferred revenue associated with sales in prior periods.

Due to the nature and size of individual land transactions, our Land Division results are subject to significant volatility. Although we have historically realized margins of between approximately 40.0% and 60.0% on Land Division sales, margins on land sales are likely to be below the historical range given the downturn in the real estate markets and the significant decrease in demand in Florida. Margins will fluctuate based upon changing sales prices and costs attributable to the land sold. In addition to the impact of economic and market factors, the sales price and margin of land sold varies depending upon: the location; the parcel size; whether the parcel is sold as raw land, partially developed land or individually developed lots; the degree to which the land is entitled; and whether the designated use of the land is residential or commercial. The cost of sales of real estate is dependent upon the original cost of the land acquired, the timing of the acquisition of the land, the amount of land development and interest and real estate tax costs capitalized to the particular land parcel during active development. Allocations to cost of sales involve significant management judgment and include an estimate of future costs of development, which can vary over time due to labor and material cost increases, master plan design changes and regulatory modifications. Accordingly, allocations are subject to change based on factors which are in many instances beyond management s control. Future margins will continue to vary based on these and other market factors. If conditions in the real estate markets do not improve or deteriorate further, we may not be able to sell land at prices above our carrying cost or even in amounts necessary to repay our indebtedness.

The number and sales value of acres subject to third party sales contracts decreased to 10 acres with a sales value of $1.1 million at December 31, 2008, compared with 259 acres with a sales value of $77.9 million at December 31, 2007. While the backlog is not an exclusive indicator of future sales activity; it provides an indication of potential future sales activity. In addition, contracts in the backlog are subject to cancellation.

For the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Revenues from sales of real estate decreased to $11.3 million during the year ended December 31, 2008, compared to $16.6 million in 2007. Sales of real estate in Tradition, Florida for the year ended December 31, 2008 consisted of the sale of 31 acres generating revenues of $8.0 million, net of deferred revenue, as compared to the sale of 37 acres generating revenues of $12.7 million, net of deferred revenue, in 2007. In addition, in the year ended December 31, 2008, we sold 11 lots encompassing approximately 4 acres in Tradition Hilton Head, recognizing revenues of $1.1 million, net of deferred revenue, compared to the sale of 9 residential lots encompassing approximately 3 acres, recognizing revenues of $1.1 million, net of deferred revenue, in 2007. In addition, revenues for the year ended December 31, 2008 included look back revenue of $145,000 compared to $1.5 million in the year ended December 31, 2007. Look back revenue relates to incremental revenue received from homebuilders based on the final resale price to the homebuilder s customer. We also recognized deferred revenue on previously sold bulk land and residential lots totaling approximately $1.9 million for the year ended December 31, 2008, compared to recognition of deferred revenue of approximately $1.3 million in 2007. These amounts included approximately $159,000 and $733,000 in 2008 and 2007, respectively, of intercompany sales in prior periods and were eliminated in consolidation.

Other revenues increased approximately $3.0 to $10.6 million for the year ended December 31, 2008, compared to $7.6 million during 2007. The increase was primarily the result of higher leasing revenues associated with the opening of the Landing at Tradition retail power center in late 2007. This increase was offset in part by decreased marketing income associated with Tradition, Florida.

Cost of sales decreased $815,000 to $6.6 million during the year ended December 31, 2008, as compared to $7.4 million in 2007 due to the decrease in sales of real estate. Costs of sales for the year ended December 31, 2008 represents the costs associated with the sale of approximately 35 acres of land compared to the costs associated with the sale of approximately 40 acres in 2007.

Margin percentage decreased to 41.1% in the year ended December 31, 2008 from 55.0% in the year ended December 31, 2007. The decrease in margin is attributable to a decrease in the average sales price per acre and less lookback revenue recognized in 2008 compared to 2007. Lookback revenue margin percentage is 100% because the associated costs were fully expensed at the time of closing.

Selling, general and administrative expenses increased to $24.6 million during the year ended December 31, 2008 compared to $19.1 million in 2007. The increase was primarily due to higher other administrative expenses associated with increased marketing activities in Tradition Hilton Head, higher repairs and maintenance expenses related to damages from tropical storms and higher depreciation expense associated with the South Carolina irrigation facility placed in service in 2008 and a depreciation recapture as a result of the reclassification of discontinued operations. Additionally, we incurred higher property management expenses related to our commercial leasing activities, higher compensation and benefits expenses, higher expenses associated with our support of the community and commercial associations in our master-planned communities and higher property tax expense due to the completion of certain projects in the year ended December 31, 2008 compared to 2007. These increases were offset in part by a decrease in incentives and commissions expense.

Interest incurred for the years ended December 31, 2008 and 2007 was $12.0 million and $14.4 million, respectively, while interest capitalized totaled $8.3 million for the year ended December 31, 2008 compared to $11.8 million during 2007. This resulted in interest expense of $3.6 million in the year ended December 31, 2008, compared to $2.6 million in 2007. The interest expense in the year ended December 31, 2008 of approximately $3.6 million mainly related to $1.1 million of interest expense associated with an intercompany loan with the Parent Company from funds borrowed by Core and approximately $2.5 million due to the completion of certain phases of development associated with our real estate inventory which resulted in a decreased amount of assets which qualified for interest capitalization. The interest

expense in the year ended December 31, 2007 of approximately $2.6 million was attributable to the intercompany loan mentioned above. The capitalization of this interest occurred at the Parent Company level and all intercompany interest expense and income was eliminated in consolidation. Interest incurred was lower in 2008 due to decreases in the average interest rates on our notes and mortgage notes payable, partly offset by higher average debt balances for the year ended December 31, 2008 compared to 2007. At the time of land sales, the capitalized interest allocated to such inventory is charged to cost of sales. Cost of sales of real estate for the years ended December 31, 2008 and 2007 included previously capitalized interest of approximately $84,000 and $66,000, respectively.

Interest and other income increased to $5.7 million in the year ended December 31, 2008, from $4.5 million in the year ended December 31, 2007. Interest and other income increased primarily due to a $2.5 million gain on sale of property and equipment and higher forfeited deposits in 2008 compared to 2007. The increase was partially offset by lower intercompany interest income related to the intercompany loan mentioned above.

For the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Revenues from sales of real estate decreased to $16.6 million during the year ended December 31, 2007, compared to $69.8 million in 2006. Sales of real estate in Tradition, Florida for the year ended December 31, 2007 consisted of the sale of 37 acres generating revenues of $12.7 million, net of deferred revenue, as compared to the sale of 208 acres generating revenues of $51.2 million in 2006. In 2007, demand for residential land in Tradition, Florida slowed dramatically. In addition, in the year ended December 31, 2007, we sold 9 residential lots encompassing approximately 3 acres in Tradition Hilton Head generating revenues of $1.1 million, net of deferred revenue, compared to sales to third parties in Tradition Hilton Head encompassing 10 acres generating revenues of $4.7 million in the year ended December 31, 2006 and an additional 150 acres transferred to Carolina Oak which was eliminated in consolidation. In addition, revenues for the year ended December 31, 2007 included look back revenues of $1.5 million compared to $870,000 in the year ended December 31, 2006. We also recognized deferred revenue on previously sold bulk land and residential lots totaling approximately $1.3 million for the year ended December 31, 2007, of which $733,000 related to sales to affiliated segments and was eliminated in consolidation. There was no similar activity for the year ended December 31, 2006.

Other revenues increased approximately $3.8 million to $7.6 million for the year ended December 31, 2007, compared to $3.8 million during 2006. This was due to increased revenues related to irrigation services provided to homebuilders, commercial users and the residents of Tradition, Florida, marketing income associated with Tradition, Florida, and leasing revenues associated with our commercial leasing business.

Cost of sales decreased $35.2 million to $7.4 million during the year ended December 31, 2007, as compared to $42.7 million for the same period in 2006 due to the decrease in sales of real estate.

Margin percentage increased to 55.0% in the year ended December 31, 2007 from 38.9% in the year ended December 31, 2006. The increase in margin was primarily due to increased commercial sales in 2007 which generated a higher margin and 100% margin percentage being realized on lookback revenue because the associated costs were fully expensed at the time of closing.

Selling, general and administrative expenses increased to $19.1 million during the year ended December 31, 2007 compared to $15.1 million in the same period in 2006. The increase was the result of higher employee compensation and benefits, increased operating costs associated with the commercial leasing business and increased other general and administrative costs. The number of full time employees increased to 67 at December 31, 2007, from 59 at December 31, 2006, as additional personnel were added to support development activity in Tradition Hilton Head. General and administrative costs increased due to increased expenses associated with our commercial leasing activities, increased legal expenditures, increased insurance costs and increased marketing and advertising expenditures designed to attract buyers in Florida and establish a market presence in South Carolina.

Interest incurred for the years ended December 31, 2007 and 2006 was $14.4 million and $6.7 million, respectively. Interest capitalized totaled $11.8 million for the year ended December 31, 2007 compared to $6.7 million during 2006. The interest expense in the year ended December 31, 2007 of approximately $2.6 million was attributable to funds borrowed by Core Communities but then loaned to Woodbridge. The capitalization of this interest occurred at the consolidated level and all intercompany interest expense and income was eliminated on a consolidated basis. As noted above, interest incurred was higher due to higher outstanding balances of notes and mortgage notes payable and an increase in the average interest rate on variable-rate debt. At the time of land sales, the capitalized interest allocated to such inventory is charged to cost of sales. Cost of sales of real estate for the years ended December 31, 2007 and 2006 included previously capitalized interest of approximately $66,000 and $443,000, respectively.

Interest and other income increased from $2.7 million during the year ending December 31, 2006, to $4.5 million during 2007. Interest and other income increased primarily due to higher intercompany interest income associated with the aforementioned intercompany loan to Woodbridge which was eliminated in consolidation. The increase was partially offset by a gain on sale of fixed assets which totaled $1.3 million in the year ended December 31, 2006 compared to $20,000 in 2007.

Other Operations Results of Operations

	Year Ended December 31, 2008	2007	2006	2008 Vs. 2007 Change	2007 Vs. 2006 Change
	(Dollars in thousands)				
Revenues					
Sales of real estate	$ 2,484	6,574	11,041	(4,090)	(4,467)
Other revenues	1,109	952	1,435	157	(483)
Total revenues	3,593	7,526	12,476	(3,933)	(4,950)
Costs and expenses					
Cost of sales of real estate	16,151	16,793	11,649	(642)	5,144
Selling, general and administrative expenses	26,717	32,508	28,174	(5,791)	4,334
Interest expense	8,315	1,073		7,242	1,073
Other expenses		2,390	8	(2,390)	2,382
Total costs and expenses	51,183	52,764	39,831	(1,581)	12,933
Earnings from Bluegreen Corporation	8,996	10,275	9,684	(1,279)	591
Impairment of investment in Bluegreen Corporation	(94,426)			(94,426)	
Impairment of other investments	(14,120)			(14,120)	
Interest and other income	4,001	7,367	4,059	(3,366)	3,308
Loss before income taxes	(143,139)	(27,596)	(13,612)	(115,543)	(13,984)
Benefit for income taxes		34,297	5,639	(34,297)	28,658
Net (loss) income	$ (143,139)	6,701	(7,973)	(149,840)	14,674

Our Other Operations segment includes the operations of the Parent Company, Carolina Oak, and Pizza Fusion, other activities through Cypress Creek Capital and Snapper Creek, an equity investment in Bluegreen and an investment in Office Depot. We currently own approximately 9.5 million shares of the common stock of Bluegreen, which represents approximately 31% of Bluegreen s outstanding shares as of December 31, 2008. Under equity method accounting, we recognize our pro-rata share of Bluegreen s net income (net of purchase accounting adjustments) as pre-tax earnings. Bluegreen has not paid dividends to its shareholders; therefore, our earnings represent only our claim to the future distributions of Bluegreen s earnings. Accordingly, we record a tax liability on our portion of Bluegreen s net income. Our earnings in Bluegreen increase or decrease concurrently with Bluegreen s reported results. Furthermore, a significant reduction in Bluegreen s financial position could potentially result in additional impairment charges on our investment against our future results of operations. For a complete discussion of Bluegreen s results of operations and financial position, we refer you to the financial statements of Bluegreen which are filed as Exhibit 99.1 to this Form 10-K.

For the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Sales of real estate in the year ended December 31, 2008 were $2.5 million reflecting the delivery of 8 units in Carolina Oak, compared to sales of real estate of $6.6 million in 2007 reflecting the delivery of 17 units at Levitt

Commercial. There were no units in backlog at December 31, 2008 or December 31, 2007. Levitt Commercial completed the sale of all remaining flex warehouse units in inventory in 2007 and ceased development activities thereafter.

Other revenues in the year ended December 31, 2008 were $1.1 million compared to $952,000 in 2007. The increase was due to an increase in leasing revenues.

Cost of sales of real estate in the year ended December 31, 2008 was $16.2 million compared to $16.8 million in 2007. Cost of sales of real estate for the year ended December 31, 2008 related to the delivery of 8 units in Carolina Oak and a $3.5 million impairment charge related to Carolina Oak s inventory of real estate while cost of sales of real estate in 2007 was comprised of the cost of sales of the 17 units delivered in Levitt Commercial, the expensing of interest previously capitalized and capitalized interest impairment charges related to the cessation of development on certain Levitt and Sons projects.

Bluegreen reported a net loss for the year ended December 31, 2008 of $516,000, as compared to net income of $31.9 million in 2007. For the year ended December 31, 2008, our interest in Bluegreen s income was $9.0 million (after the amortization of approximately $9.2 million related to the change in the basis as a result of the impairment charge at September 30, 2008), compared to $10.3 million in 2007. We review our investment in Bluegreen for impairment on a quarterly basis or as events or circumstances warrant for other-than-temporary declines in value. Based on the evaluations performed, we recorded an other-than-temporary impairment charge of $53.6 million at September 30, 2008 and an additional other-than-temporary impairment charge of $40.8 million at December 31, 2008. See (Note 10) to our audited consolidated financial statements included in Item 8 for further details of the impairment analysis of our investment in Bluegreen.

Selling, general and administrative expenses decreased $5.8 million to $26.7 million during the year ended December 31, 2008 compared to $32.5 million in 2007. The decrease was attributable to decreased compensation and benefits expenses, decreased office related expenses and decreased severance charges related to the reductions in workforce associated with the bankruptcy filing of Levitt and Sons. The decrease in compensation, benefits and office related expenses is attributable to decreased headcount, as the number of employees decreased from 47 at December 31, 2007 to 29 at December 31, 2008. These decreases were offset in part by increases in professional fees associated with our investments and the bankruptcy filing of Levitt and Sons, and increased insurance costs due to the absorption of certain of Levitt and Sons insurance costs.

Interest incurred was approximately $11.5 million and $10.8 million for the years ended December 31, 2008 and 2007, respectively, while interest capitalized totaled $3.2 million for the year ended December 31, 2008 compared to $9.8 million during 2007. This resulted in interest expense of $8.3 million in the year ended December 31, 2008, compared to $1.1 million in 2007. The increase in interest expense was due to the completion of certain phases of development associated with our real estate inventory late in 2007, which resulted in a decreased amount of assets which qualified for interest capitalization and, therefore, the expensing of the related interest was only recorded in the fourth quarter of 2007 compared to the full year of 2008. The increase in interest incurred was attributable to higher average debt balances for the year ended December 31, 2008 compared to 2007, offset in part by lower average interest rates. Cost of sales of real estate in the year ended December 31, 2008 included previously capitalized interest of approximately $242,000, which primarily related to the delivery of 8 units in Carolina Oak, compared to approximately $250,000 in 2007 related to the delivery of 17 units in Levitt Commercial.

We did not incur other expenses in the year ended December 31, 2008. Other expenses for the year ended December 31, 2007 were $2.4 million and consisted of a surety bonds accrual and a write-off of leasehold improvements. In 2007, we recorded $1.8 million in surety bonds accrual related to certain bonds where management considered it probable that reimbursement of the surety under the applicable indemnity agreement would be required. In addition to the surety bond accrual, we also recorded a write-off of leasehold improvements as we vacated certain leased space as part of our workforce reductions and the Levitt and Sons bankruptcy. Leasehold improvements in the amount of $564,000 related to this vacated space will not be recovered and were written off in the year ended December 31, 2007.

Interest and other income was approximately $4.0 million for the year ended December 31, 2008 compared to $7.4 million in 2007. This decrease was primarily the result of our realization of interest income related to intersegment loans to the Primary and Tennessee Homebuilding segments in the year ended December 31, 2007 which was eliminated in consolidation, whereas no comparable interest income was realized during 2008.

For the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Revenue from sales of real estate was $6.6 million in the year ended December 31, 2007 compared to $11.0 million in the year ended December 31, 2006. Levitt Commercial delivered 17 flex warehouse units in 2007 while 29 units were delivered during 2006. Levitt Commercial completed the sale of all flex warehouse units in inventory in 2007.

Table of Contents

Other revenues decreased to $952,000 in the year ended December 31, 2007 from $1.4 million in 2006 due to the reduction in leasing revenue received from a sub-tenant in one office building.

Cost of sales of real estate increased to $16.8 million during the year ended December 31, 2007, as compared to $11.6 million during the year ended December 31, 2006 due to an increase of $9.3 million in capitalized interest impairment charges. This increase was offset in part by a decrease of $3.8 million in cost of sales related to fewer deliveries of commercial warehouse units, as we delivered 12 fewer flex warehouse units in the year ended December 31, 2007 as compared to 2006. In addition, interest in Other Operations is amortized to cost of sales in accordance with the relief rate used in the Company s operating segments, and due to the lower sales in 2007, the operating segments experienced decreased interest amortization which resulted in less amortization by the Other Operations segment.

Bluegreen reported net income for the year ended December 31, 2007 of $31.9 million, as compared to net income of $29.8 million in 2006. In the first quarter of 2006, Bluegreen adopted SOP 04-02 and recorded a one-time, non-cash, cumulative effect of change in accounting principle charge of $4.5 million, which contributed to the slight increase in 2007. Our interest in Bluegreen s income was $10.3 million for the year ended December 31, 2007 compared to $9.7 million in 2006.

Selling, general and administrative expenses increased $4.3 million to $32.5 million during the year ended December 31, 2007 compared to $28.2 million in 2006. The increase was attributable to $5.1 million of restructuring related charges associated with Woodbridge and Levitt and Sons employees. In the third and fourth quarters of 2007, substantially all of Levitt and Sons employees were terminated and 22 employees were terminated at Woodbridge primarily as a result of the Chapter 11 Cases. Woodbridge recorded approximately $2.4 million in the year ended December 31, 2007 of severance benefits to terminated Levitt and Sons employees to supplement the limited termination benefits which could be paid by Levitt and Sons to those employees. The restructuring related expenses were slightly offset by lower stock based compensation and annual incentive compensation expense as a result of the multiple reductions in force that occurred in 2007 and significant operating losses in 2007. The decrease in non-cash stock based compensation expense was attributable to the large number of employee terminations that occurred in 2007 which resulted in a reversal of stock compensation amounts previously accrued. The reversal related to forfeited options in connection with the terminations.

Interest incurred in Other Operations was approximately $10.8 million and $7.4 million for the year ended December 31, 2007 and 2006, respectively. While all interest was capitalized in the year ended December 31, 2006, $9.8 million was capitalized in 2007 due to a decreased level of development associated with a portion of our real estate inventory which resulted in a decreased amount of qualified assets for interest capitalization. The increase in interest incurred was attributable to an increase in the average balance of our borrowings as a result of our issuance of trust preferred securities during 2006, and the aforementioned funds borrowed by Core Communities but then loaned to Woodbridge.

Other expenses increased to $2.4 million during the year ended December 31, 2007 from $8,000 in 2006. In the year ended December 31, 2007, we recorded a $1.8 million surety bond accrual that did not exist in 2006. In addition to the surety bond accrual, the Other Operations segment also recorded a write-off of leasehold improvements which also did not exist in 2006. As part of the reductions in force discussed above and the Chapter 11 Cases, we vacated certain leased space. Leasehold improvements in the amount of $564,000 related to this vacated space will not be recovered and were written off in the year ended December 31, 2007.

Interest and other income was approximately $7.4 million for the year ended December 31, 2007 compared to $4.1 million in 2006. This increase was primarily the result of the Rights Offering we completed in October 2007, the proceeds of which resulted in higher average cash balances at the Parent Company in the year ended December 31, 2007 which generated higher interest income, as well as interest income related to intersegment loans to the Primary and Tennessee Homebuilding segments which were eliminated in consolidation.

Table of Contents

Primary Homebuilding Segment Results of Operations

	Year Ended December 31,			2008 vs. 2007	2007 vs. 2006
	2008	2007	2006	Change	Change
	(Dollars in thousands, except average price data)				
Revenues					
Sales of real estate	$	345,666	424,420	(345,666)	(78,754)
Other revenues		2,243	4,070	(2,243)	(1,827)
Total revenues		347,909	428,490	(347,909)	(80,581)
Costs and expenses					
Cost of sales of real estate		501,206	367,252	(501,206)	133,954