



**Part II Organizational Action (continued)**

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶

IRC §368 (a) (1) (A)

IRC §354

IRC §356

IRC §358

IRC §1221

IRC §1223(1)

18 Can any resulting loss be recognized? ▶ SEE ATTACHMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHMENT

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Ray Lopez*

Date ▶ 1-12-17

Print your name ▶ RAYMOND S. LOPEZ

Title ▶ CHIEF FINANCIAL OFFICER

**Paid Preparer Use Only**

Print/Type preparer's name  
CINDY B. KUSHNER

Preparer's signature  
*Cindy Kushner*

Date  
2017.01.10 17:06:24 -08'00'

Check  if PTIN self-employed  
P00739493

Firm's name ▶ CROWE HORWATH LLP

Firm's EIN ▶ 35-0921680

Firm's address ▶ 101 E. LAS OLAS BLVD., SUITE 1100; FT. LAUDERDALE, FL 33301

Phone no. (954) 202-8600

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

**Part I, Line 9:** Classification and description

The securities subject to reporting include all shares of BFC Financial Corporation ("BFC") Class A common stock issued in exchange for the outstanding Class A common stock of BBX Capital Corporation ("BBX Capital") [EIN:65-0507804, CUSIP # 065908501, Ticker symbol - BBX] as a result of the merger of BBX Capital with and into BBX Capital LLC, a wholly-owned disregarded subsidiary of BFC on December 15, 2016. As discussed in subsequent responses, the merger transaction qualified as a reorganization within the meaning of Internal Revenue Code (IRC) §368(a).

**Part II, Line 14:** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On December 15, 2016, BFC completed its previously announced acquisition of all outstanding shares of BBX Capital Class A common stock not previously owned by BFC, pursuant to the terms of the Agreement and Plan of Merger dated July 27, 2016 (as amended October 20, 2016) (the "merger agreement"). Pursuant to the terms of the merger agreement, BBX Capital merged with and into BBX Capital LLC, a wholly-owned disregarded merger subsidiary of BFC, with BBX Capital LLC surviving and the separate corporate existence of BBX ceasing. The transaction qualified as a tax-free reorganization under IRC §368(a).

Pursuant to the terms of the merger agreement, each share of BBX Capital Class A common stock outstanding immediately prior to the effective time of the merger was converted into the right to receive, at the election of the holder thereof, either: (1) \$20 in cash, without interest; or (2) 5.4 shares of BFC Class A common stock. Shares of BBX Capital Class A common stock which were converted into the right to receive merger consideration but as to which no election was made were converted into the right to receive cash consideration.

No fractional shares of BFC common stock were issued in the merger. Instead, the aggregate number of BFC shares to which each BBX Capital shareholder electing to receive stock consideration was entitled was rounded up to the next largest whole share. The shares of BBX Capital Class A and Class B common stock held by BFC at the time of the transaction were cancelled pursuant to the terms of the merger.

**Part II, Line 15:** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

As noted in Part II, Line 14, the merger transaction qualifies as a tax-free reorganization under IRC §368(a). Accordingly, basis is determined in accordance with IRC §358(a) as follows –

- For those BBX Capital shareholders who elected to receive only stock consideration in the merger, a shareholder's tax basis in one share of BFC Class A common stock received in exchange for BBX Capital Class A common stock should equal the shareholder's basis in one share of BBX Capital Class A common stock divided by 5.4 based on the exchange ratio.
- For those BBX Capital shareholders who elected to receive only cash consideration in the merger, there were no BFC shares received and, therefore, no tax basis calculation is necessary.
- For those BBX Capital shareholders who elected to receive a combination of cash and stock in the merger, the aggregate basis of BFC Class A common shares received will generally be equal to the shareholder's aggregate tax basis in the BBX Capital common stock surrendered in the merger, increased by the amount of taxable gain (if any) recognized in the merger, and decreased by the amount of cash received in the merger.

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Because the tax basis of all BFC Class A common shares received in the merger is determined in whole or in part by reference to the target shareholders' basis in surrendered BBX Capital Class A common shares, the holding period for all BFC Class A common stock received in the merger will generally include the holding period for the shares of BBX Capital common stock exchanged therefor, in accordance with IRC §1223(1).

**Part II, Line 16:** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

Because more than one share of BFC Class A common stock was received in exchange for each share of BBX Capital Class A common stock, the basis of each BBX Capital share surrendered is generally allocated to the shares of BFC stock received in the merger

As noted in Part II, Line 14, the exchange ratio, as defined in the merger agreement, was 5.4, with the aggregate number of shares received rounded up to the next largest whole share in lieu of issuing fractional shares. Accordingly, for each share of BBX Capital Class A common stock owned at the time of the merger, a BBX Capital shareholder would receive 5.4 shares of BFC Class A common stock, with the aggregate number of BFC shares received rounded up to the next largest whole share in lieu of issuing fractional shares. To calculate the basis of the BFC Class A shares received, former BBX Capital shareholders should divide the aggregate basis in the BBX Capital shares surrendered by the total number of BFC shares received in the merger. If all surrendered BBX Capital shares were acquired by the shareholder in a single transaction, then the shareholder may generally divide the total basis in all BBX Capital shares surrendered by the total number of BFC shares received in the merger to determine the per-share tax basis for each BFC share received. However, if the surrendered BBX Capital shares were not acquired in a single transaction, then the shareholder will be required to perform multiple tax basis calculations in order to determine the correct per-share basis for the BFC shares received.

**Part II, Line 18:** Can any resulting loss be recognized?

BBX Capital shareholders who receive solely cash will recognize gain or loss equal to the difference between the tax basis of the BBX Capital shares surrendered and the amount of cash received, in accordance with IRC §1001.

BBX Capital shareholders who receive a combination of BFC stock and cash may generally recognize gain, but not loss, equal to the lesser of the total gain realized or the difference between the tax basis allocable to the BBX Capital shares surrendered and the amount of cash received. Any loss realized on the exchange of BBX Capital shares for BFC shares in the merger generally is not currently recognized under IRC §354(c).

BBX Capital shareholders who receive only BFC Class A common stock will generally not recognize gain or loss due to qualification of the merger transaction as a reorganization under IRC §368(a)(1)(A).

Former BBX Capital shareholders should consult a qualified tax adviser for any specific questions related to their specific tax treatment.

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**Part II, Line 19:** Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The adjustment to basis would be taken into account in the taxable year of the shareholder during which the merger occurred – i.e. 2016 for calendar year taxpayers.

This information does not constitute tax advice and provides a description of common tax consequences, but does not purport to describe all tax consequences that may apply to all types of shareholders. Former BBX Capital shareholders should consult a qualified tax adviser for any specific questions related to their specific tax treatment.