EDGAR Online

AVATAR HOLDINGS INC

FORM 10-Q
(Quarterly Report)

Filed 08/09/11 for the Period Ending 06/30/11

Address	395 VILLAGE DRIVE POINCIANA, FL 34759
Telephone	8634277180
CIK	0000039677
Symbol	AVTR
SIC Code	1531 - Operative Builders
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

Powered By EDGAR Online
http://www.edgar-online.com
© Copyright 2012, EDGAR Online, Inc. All Rights Reserved.
Distribution and use of this document restricted under EDGAR Online, Inc. Terms of Use.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-07395

AVATAR®

AVATAR HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware *(State or other Jurisdiction of Incorporation or Organization)*	**23-1739078** *(I.R.S. Employer Identification No.)*
201 Alhambra Circle, Coral Gables, Florida *(Address of Principal Executive Offices)*	**33134** *(Zip Code)*

(305) 442-7000
(Registrant's telephone number, including area code)

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 R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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: ☐ Accelerated filer: ☑ Non-accelerated filer: ☐ Smaller reporting company: ☐

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

12,699,897 shares of Avatar's common stock ($1.00 par value) were outstanding as of July 31, 2011.

AVATAR HOLDINGS INC. AND SUBSIDIARIES

INDEX

	PAGE
PART I. Financial Information	
Item 1. Financial Statements (Unaudited):	
Consolidated Balance Sheets June 30, 2011 and December 31, 2010	3
Consolidated Statements of Operations Six and three months ended June 30, 2011 and 2010	4
Consolidated Statements of Cash Flows Six months ended June 30, 2011 and 2010	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosure About Market Risk	37
Item 4. Controls and Procedures	37
PART II. Other Information	
Item 6. Exhibits	38

PART I -- FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AVATAR HOLDINGS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited) (Dollars in thousands)

	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 146,036	$ 115,502
Restricted cash	8,380	8,422
Receivables, net	5,632	6,434
Income tax receivable	1,766	1,766
Land and other inventories	312,617	326,710
Property and equipment, net	44,870	45,514
Poinciana Parkway	8,452	8,452
Investment in and notes receivable from unconsolidated entities	1,961	5,194
Prepaid expenses and other assets	12,947	10,242
Goodwill	17,215	17,215
Total Assets	**$ 559,876**	**$ 545,451**
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable	$ 1,707	$ 3,743
Accrued and other liabilities	11,727	6,929
Customer deposits and deferred revenues	2,398	2,557
Earn-out liability	3,366	4,388
Estimated development liability for sold land	20,216	20,288
Notes, mortgage notes and other debt:		
Corporate	115,873	76,445
Real estate	285	612
Total Liabilities	**155,572**	**114,962**
Commitments and Contingencies		
Stockholders' Equity		
Common Stock, par value $1 per share		
Authorized: 50,000,000 shares		
Issued: 15,364,489 shares at June 30, 2011 and 15,562,732 shares at December 31, 2010	15,365	15,563
Additional paid-in capital	306,512	305,672
Retained earnings	161,197	187,820
	483,074	509,055
Treasury stock: at cost, 2,664,592 shares at June 30, 2011and 2,662,106 shares at December 31, 2010	(79,049)	(79,010)
Total Avatar stockholders' equity	404,025	430,045
Non-controlling interest	279	444
Total Equity	404,304	430,489
Total Liabilities and Stockholders' Equity	**$ 559,876**	**$ 545,451**

See notes to consolidated financial statements.

AVATAR HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the six and three months ended June 30, 2011 and 2010
(Unaudited)
(Dollars in thousands except per-share amounts)

	Six Months		Three Months	
	2011	2010	2011	2010
Revenues				
Real estate revenues	$ 39,978	$ 25,938	$ 28,201	$ 16,496
Interest income	300	254	132	132
Other	300	733	33	674
Total revenues	40,578	26,925	28,366	17,302
Expenses				
Real estate expenses	41,620	31,694	25,652	17,819
Impairment charges	14,097	168	13,800	-
General and administrative expenses	6,750	7,845	3,349	3,762
Loss on repurchase of 4.50% Notes	211	-	-	-
Interest expense	4,793	3,162	2,362	1,486
Total expenses	67,471	42,869	45,163	23,067
Equity earnings (losses) from unconsolidated entities	15	(207)	143	(117)
Loss before income taxes	(26,878)	(16,151)	(16,654)	(5,882)
Income tax benefit	-	-	-	-
Net loss (including net loss attributable to non-controlling interests)	(26,878)	(16,151)	(16,654)	(5,882)
Less: Net loss attributable to non-controlling interests	(255)	(272)	(128)	(139)
Net loss attributable to Avatar	$ (26,623)	$ (15,879)	$ (16,526)	$ (5,743)
Basic and Diluted Loss Per Share	$ (2.14)	$ (1.41)	$ (1.33)	$ (0.51)

See notes to consolidated financial statements.

AVATAR HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the six months ended June 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
OPERATING ACTIVITIES		
Net loss (including net loss attributable to non-controlling interests)	$ (26,878)	$ (16,151)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,915	2,379
Amortization of stock-based compensation	643	580
Impairment of land and other inventories	14,097	168
Distribution (return) of earnings and notes receivable from unconsolidated entities	3,248	(32)
Equity (earnings) losses from unconsolidated entities	(15)	207
Changes in operating assets and liabilities:		
Restricted cash	42	(22,381)
Receivables, net	802	(185)
Income tax receivable	-	33,627
Land and other inventories	(49)	446
Prepaid expenses and other assets	1,922	252
Accounts payable and accrued and other liabilities	1,908	184
Earn-out liability	(1,022)	-
Customer deposits and deferred revenues	(159)	21
NET CASH USED IN OPERATING ACTIVITIES	(3,546)	(885)
INVESTING ACTIVITIES		
Investment in property and equipment	(35)	(48)
Return from (investment in) Poinciana Parkway	-	30
Investment in unconsolidated entities	-	(82)
NET CASH USED IN INVESTING ACTIVITIES	(35)	(100)
FINANCING ACTIVITIES		
Proceeds from issue of 7.50% Convertible Notes	100,000	-
Principal payments of real estate borrowings	(1,856)	(55,881)
Repurchase 4.50% Convertible Notes	(59,402)	-
Debt issue costs	(4,627)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	34,115	(55,881)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,534	(56,866)
Cash and cash equivalents at beginning of period	115,502	217,132
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 146,036	$ 160,266

See notes to consolidated financial statements.

AVATAR HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2011
(Dollars in thousands except share and per share data)

Basis of Financial Statement Presentation and Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Avatar Holdings Inc. and all subsidiaries, partnerships and other entities in which Avatar Holdings Inc. ("Avatar", "we", "us" or "our") has a controlling interest. Our investments in unconsolidated entities in which we have less than a controlling interest are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated balance sheets as of June 30, 2011 and December 31, 2010, and the related consolidated statements of operations for the six and three months ended June 30, 2011 and 2010 and the consolidated statements of cash flows for the six months ended June 30, 2011 and 2010 have been prepared in accordance with United States generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statement presentation. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Due to Avatar's normal operating cycle being in excess of one year, we present unclassified balance sheets.

The consolidated balance sheet as of December 31, 2010 was derived from audited consolidated financial statements included in our 2010 Annual Report on Form 10-K but does not include all disclosures required by United States generally accepted accounting principles. These consolidated financial statements should be read in conjunction with our December 31, 2010 audited consolidated financial statements included in our 2010 Annual Report on Form 10-K and the notes to the consolidated financial statements included therein.

Reclassifications

Certain 2010 financial statement items have been reclassified to conform to the 2011 presentation.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. We also consider closing proceeds from our house closings held by our title insurance agency as cash equivalents which were $0 and $725 as of June 30, 2011 and December 31, 2010, respectively. As of June 30, 2011, our cash and cash equivalents were invested primarily in money market accounts that invest in U.S. government securities. Due to the short maturity period of the cash equivalents, the carrying amount of these instruments approximates their fair values.

Restricted cash includes deposits of $8,380 and $8,422 as of June 30, 2011 and December 31, 2010, respectively. The balance as of June 30, 2011 is comprised primarily of $7,669 on deposit with Wells Fargo, N.A. to collateralize outstanding letters of credit and $711 of housing deposits from customers that will become available when the housing contracts close. We held escrow funds of $192 and $100 as of June 30, 2011 and December 31, 2010, respectively, which are not considered assets of ours and, therefore, are excluded from restricted cash in the accompanying consolidated balance sheets.

Notes to C onsolid ated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Income Tax Receivable

Income tax receivable consists of tax refunds we expect to receive within one year. As of June 30, 2011 and December 31, 2010, we had $1,766 of income tax receivables.

Land and Other Inventories

Land and Other Inventories are stated at cost unless the asset is determined to be impaired, in which case the asset would be written down to its fair value. Land and Other Inventories include expenditures for land acquisition, construction, land development and direct and allocated costs. Land and Other Inventories owned and constructed by us also include interest cost capitalized until development and construction are substantially completed. Land and development costs, construction and direct and allocated costs are assigned to components of Land and Other Inventories based on specific identification or other allocation methods based upon United States generally accepted accounting principles.

In accordance with ASC 360-10, *Property, Plant and Equipment* ("ASC 360-10") we review our Land and Other Inventories for indicators of impairment.

For assets held and used, if indicators are present, we perform an impairment test in which the asset is reviewed for impairment by comparing the estimated future undiscounted cash flows to be generated by the asset to its carrying value. If such cash flows are less than the asset's carrying value, the carrying value is written down to its estimated fair value. Generally, fair value is determined by discounting the estimated cash flows at a rate commensurate with the inherent risks associated with the asset and related estimated cash flow streams. The discount rate used in the determination of fair value would range between 15-25% depending on the stage of development. Assumptions and estimates used in the determination of the estimated future cash flows are based on expectations of future operations and economic conditions and certain factors described below. Changes to these assumptions could significantly affect the estimates of future cash flows which could affect the potential for future impairments. Due to the uncertainties of the estimation process, actual results could differ significantly from such estimates.

For assets held for sale (such as homes completed or under construction), we perform an impairment test in which the asset is reviewed for impairment by comparing the fair value (estimated sales price) less cost to sell the asset to its carrying value. If such fair value less cost to sell is less than the asset's carrying value, the carrying value is written down to its estimated fair value less cost to sell.

We evaluate our Land and Other Inventories for impairment on a quarterly basis. During the six and three months ended June 30, 2011, our impairment assessment resulted in impairment charges of $14,097 and $13,800, respectively, which included approximately $997 and $700, respectively, in impairment charges related to homes completed or under construction and approximately $13,100 in impairment charges for land developed and/or held for future development or sale. During the six and three months ended June 30, 2010, our impairment assessment resulted in impairment charges of $168 and $0, respectively, which related to homes completed or under construction. Reduced interest from potential buyers during the second quarter of 2011 resulted in impairment charges for property located in Central Florida. As of June 30, 2011, other than the Land and Other Inventories that we determined to be impaired, we had no long-lived assets that had undiscounted cash flows within 25% of their carrying values.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Land and Other Inventories – continued

Land and Other Inventories that are subject to a review for indicators of impairment include our: (i) housing communities (active adult and primary residential, including scattered lots) and (ii) land developed and/or held for future development or sale. A discussion of the factors that impact our impairment assessment for these categories follows:

Housing communities: Activities include the development of active adult and primary residential communities and the operation of amenities. The operating results and losses generated from active adult and primary residential communities during the six months ended June 30, 2011 and 2010 include operating expenses relating to the operation of the amenities in our communities as well as divisional overhead allocated among several communities.

Our active adult and primary residential communities are generally large master-planned communities in Florida and in Arizona. Several of these communities are long term projects on land we have owned for many years. In reviewing each of our communities, we determine if potential impairment indicators exist by reviewing actual contribution margins on homes closed in recent months, projected contribution margins on homes in backlog, projected contribution margins on speculative homes, average selling prices, sales activities and local market conditions. If indicators are present, the asset is reviewed for impairment. In determining estimated future cash flows for purposes of the impairment test, the estimated future cash flows are significantly impacted by specific community factors such as: (i) sales absorption rates; (ii) estimated sales prices and sales incentives; and (iii) estimated cost of home construction, estimated land development costs, interest costs, indirect construction and overhead costs, and selling and marketing costs. In addition, our estimated future cash flows are also impacted by general economic and local market conditions, competition from other homebuilders, foreclosures and depressed home sales in the areas in which we build and sell homes, product desirability in our local markets and the buyers' ability to obtain mortgage financing. Except for those primary residential communities acquired in conjunction with a portfolio of real estate assets in Arizona and Florida acquired during October 2010 (the "JEN Transaction), build-out of our active adult and primary residential communities generally exceeds five years. Our current assumptions are based on current activity and recent trends at our active adult and primary residential communities. There are a significant number of assumptions with respect to each analysis. Many of these assumptions extend over a significant number of years. The substantial number of variables to these assumptions could significantly affect the potential for future impairments.

Declines in contribution margins below those realized from our current sales prices and estimations could result in future impairment losses in one or more of our housing communities.

Land developed and/or held for future development or sale : Our land developed and/or held for future development or sale represents land holdings for the potential development of future active adult and/or primary residential communities. For land developed and/or held for future development or sale, indicators of potential impairment include changes in use, changes in local market conditions, declines in the selling prices of similar assets and increases in costs. If indicators are present, the asset is reviewed for impairment. In determining estimated future cash flows for purposes of the impairment test, the estimated future cash flows are significantly impacted by specific community factors such as: (i) sales absorption rates; (ii) estimated sales prices and sales incentives; and (iii) estimated costs of home construction, estimated land and land development costs, interest costs, indirect construction and overhead costs, and selling and marketing costs. In addition, our estimated future cash flows are also impacted by general economic and local market conditions, competition from other homebuilders, foreclosures and depressed home sales in the areas where we own land for future development, product desirability in our local markets and the buyers' ability to obtain mortgage financing. Factors that we consider in determining the appropriateness of moving forward with land development or whether to write-off the related amounts capitalized include: our current inventory levels, local market economic conditions, availability of adequate resources and the estimated future net cash flows to be generated from the project. Except for those primary residential communities acquired in the JEN Transaction, build-out of our active adult and primary residential communities generally exceeds five years. There are a significant number of assumptions with respect to each analysis. Many of these assumptions extend over a significant number of years. The substantial number of variables to these assumptions could significantly affect the potential for future impairments.

Declines in market values below those realized from our current sales prices and estimations could result in future impairment.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Land and Other Inventories – continued

Land and Other Inventories consist of the following:

	June 30, 2011	December 31, 2010
Land developed and in process of development	$ 164,653	$ 166,569
Land held for future development or sale	120,813	134,347
Homes completed or under construction	26,796	24,320
Other	355	1,474
	$ 312,617	$ 326,710

See "Financial Information Relating to Reportable Segments" below.

Property and Equipment

Property and Equipment are stated at cost and depreciation is computed by the straight-line method over the following estimated useful lives of the assets: land improvements 10 to 25 years; buildings and improvements 8 to 39 years; and machinery, equipment and fixtures 3 to 7 years. Maintenance and operating expenses of equipment utilized in the development of land are capitalized as land inventory cost. Repairs and maintenance are expensed as incurred.

Property and Equipment includes the cost of amenities owned by us. The cost of amenities includes expenditures for land acquisition, construction, land development and direct and allocated costs. Property and Equipment owned and constructed by us also includes interest cost incurred during development and construction.

Each reporting period, we review our Property and Equipment for indicators of impairment in accordance with ASC 360-10. For our amenities, which are located within our housing communities, indicators of potential impairment are similar to those of our housing communities (described above) as these factors may impact our ability to generate revenues at our amenities or cause construction costs to increase. In addition, we factor in the collectability and potential delinquency of the fees due for our amenities. For the three months ended June 30, 2011, no impairments existed for Property and Equipment.

Poinciana Parkway

In December 2006, we entered into agreements with Osceola County, Florida and Polk County, Florida for us to develop and construct at our cost a 9.66 mile four-lane road (including a 4.15 mile private toll section) in Osceola and Polk Counties to be known as the Poinciana Parkway (the "Poinciana Parkway"). Such agreements have been amended so that we are required to obtain financing and commence construction of the Parkway by February 14, 2012 and complete such construction by May 7, 2014, subject to extension for force majeure. We have acquired all of the rights of way necessary to construct the Poinciana Parkway. We also have all material permits for construction of the Poinciana Parkway and such permits do not expire until February 14, 2018.

If funding and commencement of construction of the Poinciana Parkway is not achieved by February 14, 2012, the Counties have no right to obtain damages or seek specific performance against Avatar; however, (i) a portion of Avatar's land in Osceola County will become subject to Osceola traffic concurrency requirements applicable generally to other home builders in the County and (ii) Avatar will be required to contribute approximately $1,900 towards the construction cost of certain traffic improvements in Osceola County that we otherwise might have been obligated to build or fund if we had not agreed to construct the Poinciana Parkway.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Poinciana Parkway - continued

Osceola County and Avatar are still attempting to locate governmental funds for development of the Poinciana Parkway. We cannot predict whether any governmental funds will be available. We intend to seek extensions of the deadlines in our agreements with Polk and Osceola Counties.

For the Poinciana Parkway, indicators of impairment are general economic conditions, rate of population growth and estimated change in traffic levels. If indicators are present, we perform an impairment test in which the asset is reviewed for impairment by comparing the estimated future undiscounted cash flows to be generated by the asset to its carrying value. If such cash flows are less than the asset's carrying value, the carrying value is written down to its estimated fair value. In determining estimated future cash flows for purposes of the impairment test, we incorporate current market assumptions based on general economic conditions such as anticipated estimated revenues and estimated costs. These assumptions can significantly affect our estimates of future cash flows.

Our estimate of the right-of-way acquisition, development and construction costs for the Poinciana Parkway approximates $175,000 to $200,000. However, no assurance of the ultimate costs can be given at this stage. As of June 30, 2011, approximately $47,500 has been expended. During fiscal years 2009 and 2008, we recorded impairment charges of $8,108 and $30,228, respectively, associated with the Poinciana Parkway.

We review the recoverability of the carrying value of the Poinciana Parkway on a quarterly basis in accordance with authoritative accounting guidance. Based on our review as of June 30, 2011, we determined the estimated future undiscounted cash flows of the Poinciana Parkway were greater than its carrying value, therefore no impairment losses were recorded during the six and three months ended June 30, 2011. Non-capitalizable expenditures of $46 and $20 related to the Poinciana Parkway were expensed during the six and three months ended June 30, 2011, respectively, and $265 and $57 during the six and three months ended June 30, 2010, respectively. At June 30, 2011, the carrying value of the Poinciana Parkway is $8,452.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Notes, Mortgage Notes and Other Debt

4.50% Convertible Senior Notes

On March 30, 2004, we issued $120,000 aggregate principal amount of 4.50% Convertible Senior Notes due 2024 (the 4.50% Notes) in a private offering. Interest is payable semiannually on April 1 and October 1. The 4.50% Notes are senior, unsecured obligations and rank equal in right of payment to all of our existing and future unsecured and senior indebtedness. However, the 4.50% Notes are effectively subordinated to all of our existing and future secured debt to the extent of the collateral securing such indebtedness, and to all existing and future liabilities of our subsidiaries.

Each $1 in principal amount of the 4.50% Notes is convertible, at the option of the holder, at a conversion price of $52.63, or 19.0006 shares of our common stock, upon the satisfaction of one of the following conditions: a) during any calendar quarter (but only during such calendar quarter) commencing after June 30, 2004 if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 120% of the conversion price per share of common stock on such last day; or b) during the five business day period after any five-consecutive-trading-day period in which the trading price per $1 principal amount of the 4.50% Notes for each day of that period was less than 98% of the product of the closing sale price for our common stock for each day of that period and the number of shares of common stock issuable upon conversion of $1 principal amount of the 4.50% Notes, provided that if on the date of any such conversion that is on or after April 1, 2019, the closing sale price of Avatar's common stock is greater than the conversion price, then holders will receive, in lieu of common stock based on the conversion price, cash or common stock or a combination thereof, at our option, with a value equal to the principal amount of the 4.50% Notes plus accrued and unpaid interest, as of the conversion date. During the first, second and third quarters of 2007, the 4.50% Notes were convertible; and $200 principal amount were converted into 3,800 shares of Avatar's common stock. During 2007, Avatar repurchased $5,000 principal amount of the 4.50% Notes; during 2008, we repurchased $35,920 principal amount; and during 2009, we repurchased $14,076 principal amount. On February 4, 2011, we purchased $17,765 principal amount of the 4.50% Notes which was accounted for as an extinguishment of debt in accordance with ASC 470-20. As of April 1, 2011, holders of $41,637 principal amount exercised their rights to require us to repurchase.

Holders may require us to repurchase the 4.50% Notes for cash on April 1, 2011, April 1, 2014 and April 1, 2019; or in certain circumstances involving a designated event, as defined in the indenture for the 4.50% Notes, holders may require us to purchase all or a portion of their 4.50% Notes. We may, at our option, redeem for cash all or a portion of the 4.50% Notes at any time on or after April 5, 2011. In each case, we will pay a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. On April 1, 2011, holders of $41,637 principal amount of the 4.50% Notes exercised their right to require us to repurchase the 4.50% Notes. As of June 30, 2011, $5,402 principal amount of the 4.50% Notes remained outstanding.

Financial Accounting Standards Board ("FASB") ASC Subtopic 470-20, *Debt with Conversion Options – Cash Conversion* ("ASC 470-20"), requires the issuer of certain convertible debt instruments that may be settled in cash on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. ASC 470-20 requires bifurcation of the instrument into a debt component that is initially recorded at fair value and an equity component. The difference between the fair value of the debt component and the initial proceeds from issuance of the instrument is recorded as a component of equity. The excess of the principal amount of the liability component over its carrying amount and the debt issuance costs are amortized to interest cost using the interest method over the expected life of a similar liability that does not have an associated equity component. ASC 470-20 applies to the 4.50% Notes, however bifurcation of the 7.50% Notes (described below) is not required since the instrument does not have a cash settlement option upon conversion.

The discount on the liability component of the 4.50% Notes was amortized using the effective interest method based on an effective rate of 7.5%, which was the estimated market interest rate for similar debt without a conversion option on the issuance date. The discount was amortized from the issuance date in 2004 through April 1, 2011, the first date that holders of the 4.50% Notes could require us to repurchase the 4.50% Notes. We recognized $293 and $0 in non-cash interest charges related to the amortization of the discount during the six and three months ended June 30, 2011, respectively. We recognized $718 and $359 in non-cash interest charges related to the amortization of the discount during the six and three months ended June 30, 2010, respectively.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Notes, Mortgage Notes and Other Debt – continued

JEN Transaction Notes

In conjunction with the JEN Transaction, we entered into two separate note payable agreements with JEN. Each note is for $6,000 bearing interest at 6% with maturity dates of October 25, 2011 and October 25, 2012. On May 6, 2011, we made a principal payment of $1,529 on the note which matures on October 25, 2011. As of June 30, 2011, $10,471 principal amount of these notes remained outstanding.

7.50% Senior Convertible Notes

On January 31, 2011, Avatar and Avatar Properties Inc. ("API"), entered into an Underwriting Agreement (the "Underwriting Agreement") with Barclays Capital Inc. (the "Underwriter"). Pursuant to the Underwriting Agreement, Avatar agreed to issue and sell to the Underwriter, and the Underwriter agreed to purchase for sale in an underwritten public offering, $100,000 aggregate principal amount of 7.50% Senior Convertible Notes due 2016 (the "7.50% Notes"). The 7.50% Notes were sold to the Underwriter at 95.75% of the principal amount of the 7.50% Notes, and were sold to the public at a purchase price of 100% of the principal amount of the 7.50% Notes, plus accrued interest, if any, from February 4, 2011.

The Underwriting Agreement includes customary representations, warranties, conditions to closing, and covenants. The Underwriting Agreement also provides for customary indemnification by each of Avatar, API and the Underwriter against certain liabilities. The 7.50% Notes are governed by a Base Indenture and Supplemental Indenture (in each case, as defined below), the principal terms of which are discussed below.

The sale of the 7.50% Notes was registered pursuant to a Registration Statement on Form S-3 (No. 333-161498), filed by Avatar with the Securities and Exchange Commission on August 21, 2009 (the "Registration Statement"). Net proceeds to Avatar from the sale of the 7.50% Notes was approximately $95,373 after deducting the Underwriter's discount of 4.25% and expenses of $377. Avatar intends to use the proceeds from the sale of the 7.50% Notes for general corporate purposes, including, without limitation, the repayment of debt, including Avatar's 4.50% Convertible Senior Notes due 2024 (the "4.50% Notes"), which notes may be put to Avatar pursuant to the terms thereof on each of April 1, 2011, April 1, 2014, and April 1, 2019, or called by Avatar at any time on or after April 5, 2011, and potential new acquisitions of real estate and real estate-related assets. On February 4, 2011, we purchased $17,765 principal amount of the 4.50% Notes which was accounted for as an extinguishment of debt in accordance with ASC 470-20. As of April 1, 2011, holders of $41,637 principal amount exercised their rights to require us to repurchase.

The 7.50% Notes are governed by a base indenture (the "Base Indenture") and first supplemental indenture (the "Supplemental Indenture," and together with the Base Indenture, the "Indenture"), both dated as of February 4, 2011, between Avatar and Wilmington Trust FSB, as trustee, and include the following terms:

Interest : Interest on the 7.50% Notes is 7.50% per year, payable semi-annually in arrears in cash on February 15 and August 15 of each year, beginning on August 15, 2011.

Conversion : Holders may convert the 7.50% Notes into shares of Avatar's common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The 7.50% Notes are convertible at an initial conversion rate of 33.3333 shares of common stock per $1 principal amount of the 7.50% Notes (equivalent to an initial conversion price of approximately $30.00 per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances, including upon the occurrence of a "non-stock change of control" as such term is defined in the Indenture. Upon any conversion, subject to certain exceptions, holders will not receive any cash payment representing accrued and unpaid interest.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Notes, Mortgage Notes and Other Debt - continued

Financial covenants : The Indenture includes the following financial covenants:

- until February 15, 2014, Avatar will maintain, at all times, cash and cash equivalents of not less than $20,000;
- until the second anniversary of the original issuance date of the 7.50% Notes, Avatar's total consolidated indebtedness (as "indebtedness" is defined in the Indenture) may not exceed $150,000 at any time;
- until the second anniversary of the original issuance date of the 7.50% Notes, Avatar's total consolidated indebtedness (as "indebtedness" is defined in the Indenture) shall not exceed $50,000 at any time, excluding for purposes of this covenant: (a) the 7.50% Notes and (b) any indebtedness with a maturity date after February 15, 2014, which indebtedness does not provide the holder with a unilateral put right prior to February 15, 2014.

Repurchase Right: Holders of the 7.50% Notes have the right to require Avatar to repurchase the Notes on February 15, 2014; or upon the occurrence of a breach of any of the financial covenants, a "fundamental change" (as defined in the Indenture), or an event of default (as described in the Indenture).

Redemption Right : Avatar may, at any time on or after February 15, 2014, at its option, redeem for cash all or any portion of the outstanding 7.50% Notes, but only if the last reported sale price of Avatar's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day before the date Avatar provides the notice of redemption to holders exceeds 130% of the conversion price in effect on each such trading day and certain other conditions described in the Indenture are met.

Real Estate

As of June 30, 2011, we have approximately $174 outstanding from secured obligations related to the JEN Transaction. We had a $3,000 construction loan facility with Mutual of Omaha bearing interest at prime plus 2% with a minimum floor of 5.50% which matured on May 12, 2011. On May 12, 2011, we modified this construction loan facility capacity to $6,000 bearing interest at prime plus 2% with a minimum floor of 5.50% which matures on May 12, 2012. As of June 30, 2011, the interest rate on this facility was 5.50%. As of June 30, 2011, $114 was outstanding.

The following table represents interest incurred, interest capitalized, and interest expense for the six and three months ended June 30, 2011 and 2010:

	Six Months		Three Months	
	2011	2010	2011	2010
Interest incurred	$ 5,011	$ 3,219	$ 2,492	$ 1,528
Interest capitalized	(218)	(57)	(130)	(42)
Interest expense	$ 4,793	$ 3,162	$ 2,362	$ 1,486

We made interest payments of $1,491 and $2,114 during the six months ended June 30, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Warranty Costs

Warranty reserves for houses are established to cover estimated costs for materials and labor with regard to warranty-type claims to be incurred subsequent to the closing of a house. Reserves are determined based on historical data and other relevant factors. We may have recourse against subcontractors for claims relating to workmanship and materials. Warranty reserves are included in Accrued and Other Liabilities in the consolidated balance sheets.

During the six and three months ended June 30, 2011 and 2010 changes in the warranty reserve consisted of the following:

	Six Months		Three Months	
	2011	2010	2011	2010
Accrued warranty reserve, beginning of period	$ 477	$ 458	$ 451	$ 397
Estimated warranty expense	171	257	97	174
Amounts charged against warranty reserve	(226)	(231)	(126)	(87)
Accrued warranty reserve, end of period	$ 422	$ 484	$ 422	$ 484

Loss Per Share

We present loss per share in accordance with ASC 260, *Earnings Per Share.* Basic earnings (loss) per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of Avatar. In accordance with ASC 260, the computation of diluted earnings (loss) per share for the six and three months ended June 30, 2011 and 2010 did not assume the effect of restricted stock units, employee stock options or the 4.50% Notes because the effects were antidilutive.

The weighted average number of shares outstanding in calculating basic loss per share includes the issuance of 66,538 and 9,271 shares of our common stock for the six and three months ended June 30, 2011, respectively, and 28,900 shares for the six and three months ended June 30, 2010. In accordance with ASC 260, nonvested shares are not included in basic earnings per share until the vesting requirements are met.

The following table represents the net loss and weighted average shares outstanding for the calculation of basic and diluted loss per share for the six and three months ended June 30, 2011 and 2010:

	Six Months		Three Months	
	2011	2010	2011	2010
Numerator:				
Basic and diluted loss per share – net loss	$ (26,623)	$ (15,879)	$ (16,526)	$ (5,743)
Denominator:				
Basic and diluted weighted average shares outstanding	12,441,098	11,245,520	12,442,616	11,250,226

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Repurchase of Common Stock

On October 13, 2008, our Board of Directors amended its June 2005 authorization to purchase the 4.50% Notes and/or common stock to allow expenditures up to $30,000, including the $9,864 previously authorized. On October 17, 2008, we repurchased $35,920 principal amount of the 4.50% Notes for approximately $28,112 including accrued interest. On December 12, 2008, our Board of Directors amended its June 2005 authorization to purchase the 4.50% Notes and/or common stock to allow expenditures up to $30,000, including the $1,888 remaining after the October 2008 activities. On March 30, 2009, we repurchased $7,500 principal amount of the 4.50% Notes for approximately $6,038 including accrued interest. On June 19, 2009, we repurchased $6,576 principal amount of the 4.50% Notes for approximately $5,658 including accrued interest. As of June 30, 2011, the remaining authorization is $18,304.

Non-controlling Interest

Avatar has consolidated certain LLCs, which qualify as variable interest entities (“VIEs”) because we determined that Avatar is the primary beneficiary. Therefore, the LLCs’ financial statements are consolidated in Avatar’s consolidated financial statements and the other partners’ equity in each of the LLCs is recorded as non-controlling interest as a component of consolidated stockholders’ equity. At June 30, 2011 and December 31, 2010, non-controlling interest was $279 and $444, respectively. The decrease in non-controlling interest of $255 is a result of the losses generated from these LLCs.

Comprehensive Loss

Net loss and comprehensive loss are the same for the six months ended June 30, 2011 and 2010.

Share-Based Payments and Other Executive Compensation

On June 2, 2011, the stockholders of Avatar approved the Amended and Restated 1997 Incentive and Capital Accumulation Plan (2011 Restatement) (the "Incentive Plan") to, among other things, increase the aggregate number of shares of Avatar's common stock, par value $1.00 per share, authorized for issuance under the Incentive Plan by 700,000 shares from 1,500,000 shares to 2,200,000 shares and extend the term of the Incentive Plan until October 25, 2020. The Incentive Plan provides for the grant of stock options, stock appreciation rights, stock awards, performance awards, and stock units to officers, employees and directors of Avatar. The exercise prices of stock options may not be less than the stock exchange closing price of our common stock on the date of grant. Stock option awards under the Incentive Plan generally expire 10 years after the date of grant.

As of June 30, 2011, an aggregate of 1,319,022 shares of our Common Stock, subject to certain adjustments, were reserved for issuance under the Incentive Plan, including an aggregate of 414,804 options, restricted stock units and stock units granted. There were 904,218 shares available for grant at June 30, 2011.

Compensation expense related to restricted stock and restricted stock unit awards during the six months ended June 30, 2011 and 2010 was $588 and $528, respectively. Compensation expense related to restricted stock and restricted stock unit awards during the three months ended June 30, 2011 and 2010 was ($53) and $264, respectively. During the three months ended June 30, 2011, we reversed approximately $450 of previously recognized compensation expense related to 293,178 shares of restricted stock which were forfeited due to the resignation of our former CEO on June 15, 2011. During the six months ended June 30, 2011, we granted 97,160 restricted stock and restricted stock units, which have a weighted average grant date fair value of $15.19 per share. During the six months ended June 30, 2010, we granted 4,935 restricted stock units, which have a weighted average grant date fair value of $20.68 per share.

As of June 30, 2011, there was $3,434 of unrecognized compensation expense related to unvested restricted stock and restricted stock units. That expense is expected to be recognized over a weighted-average period of 1.6 years.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Income Taxes

Income tax receivable as of June 30, 2011 and December 31, 2010 consists of $1,766 in income tax refunds.

Income taxes have been provided using the liability method under ASC 740, *Income Taxes* ("ASC 740"). The liability method is used in accounting for income taxes where deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. In accordance with ASC 740, Avatar evaluates its deferred tax assets quarterly to determine if valuation allowances are required. ASC 740 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more likely than not" standard. During 2008, we established a valuation allowance against our deferred tax assets. Our cumulative loss position over the evaluation period and the uncertain and volatile market conditions provided significant evidence supporting the need for a valuation allowance. During the six months ended June 30, 2011 we recognized an increase of $10,271 in the valuation allowance. As of June 30, 2011, our deferred tax asset valuation allowance was $32,793. In future periods, the allowance could be reduced based on sufficient evidence indicating that it is more likely than not that a portion of our deferred tax assets will be realized.

On October 25, 2010, we received notification from the Internal Revenue Service that our federal income tax returns for tax years 2004, 2005, 2006 and 2009 are being examined. At this time it is not determinable as to the outcome of their examination as the IRS is in the preliminary stages of its review.

In 2006, we closed on substantially all of the land sold under the threat of condemnation, and in 2007 we closed on the remainder. We believe these transactions entitled us to defer the payment of income taxes of $24,355 from the gain on these sales. During October 2009, we received from the Internal Revenue Service a final extension until December 31, 2010 to obtain replacement property to defer the entire payment of income taxes. As a result of the property acquisitions during 2009 and 2010 including the JEN Transaction, we believe the properties acquired will satisfy the required replacement property; however, we are uncertain as to the final determination. If it is determined that we have not acquired a sufficient amount of replacement property, we may be required to make an income tax payment plus interest on the portion determined not to have been replaced as of December 31, 2010.

Fair Value Disclosures

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), provides guidance for using fair value to measure assets and liabilities, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, expands disclosures about fair value measurements, and establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820-10-65, *Fair Value Measurements and Disclosures – Overall – Transition and Open Effective Date Information* provides guidelines for making fair value measurements more consistent with the principles presented in ASC 820-10, *Fair Value Measurements and Disclosures - Overall* . This topic provides additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed; is applicable to all assets and liabilities (i.e. financial and nonfinancial); and requires enhanced disclosures.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Fair Value Disclosures – continued

The accounting standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Fair value determined based on quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value determined using significant observable inputs, such as quoted prices for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

Level 3: Fair value determined using significant unobservable inputs, such as discounted cash flows, or similar techniques.

The carrying value of cash and cash equivalents, receivables and accounts payable approximates the fair value due to their short-term maturities.

The majority of our non-financial instruments, which include land and other inventories, Poinciana Parkway and property and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur such that a non-financial instrument is required to be evaluated for impairment, a resulting asset impairment would require that the non-financial instrument be recorded at the lower of historical cost or its fair value.

Avatar's assets measured at fair value as of June 30, 2011 and gains (losses) for the quarter ended June 30, 2011 on a nonrecurring basis are summarized below:

Non-financial Assets/Liabilities	Fair Value Hierarchy	Fair Value at June 30, 2011	Gains/ (Losses)
Homes completed or under construction	Level 2	$ 4,313	$ (700)
Land developed and/or held for future development or sale	Level 3	$ 3,060	$ (13,100)
Earn-out liability related to the JEN Transaction	Level 3	$ 3,366	$ 1,022

For assets held for sale (such as homes completed or under construction), we perform an impairment test in which the asset is reviewed for impairment by comparing the fair value (estimated sales price) less cost to sell the asset to its carrying value. If such fair value less cost to sell is less than the asset's carrying value, the carrying value is written down to its estimated fair value less cost to sell.

For assets held and used, if indicators are present, we perform an impairment test in which the asset is reviewed for impairment by comparing the estimated future undiscounted cash flows to be generated by the asset to its carrying value. If such cash flows are less than the asset's carrying value, the carrying value is written down to its estimated fair value. Generally, fair value is determined by discounting the estimated cash flows at a rate commensurate with the inherent risks associated with the asset and related estimated cash flow streams. The discount rate used in the determination of fair value would range between 15-25% depending on the stage of development. Assumptions and estimates used in the determination of the estimated future cash flows are based on expectations of future operations and economic conditions and certain factors described below. Changes to these assumptions could significantly affect the estimates of future cash flows which could affect the potential for future impairments. Due to the uncertainties of the estimation process, actual results could differ significantly from such estimates.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Fair Value Disclosures – continued

We estimated the fair value of the earn-out using a probability-weighted discounted cash flow model. This fair value measurement is based on a discounted cash flow and thus represents a Level 3 measurement as defined in ASC 820. As of June 30, 2011, there were no significant changes in the range of outcomes of the earn-out compared to the acquisition date. As of June 30, 2011, the earn-out liability decreased to $3,366 as a result of a decrease in Avatar's stock price as of June 30, 2011 compared to December 31, 2010.

The carrying amounts and fair values of our financial instruments at June 30, 2011 and December 31, 2010 are as follows:

	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 146,036	$ 146,036	$ 115,502	$ 115,502
Restricted cash	$ 8,380	8,380	$ 8,422	$ 8,422
Receivables, net	$ 5,632	$ 5,632	$ 6,434	$ 6,434
Income tax receivable	$ 1,766	$ 1,766	$ 1,766	$ 1,766
Notes, mortgage notes and other debt:				
Corporate:				
4.50% Notes	$ 5,402	$ 5,388	$ 64,445	$ 64,966
7.50% Notes	$ 100,000	$ 101,000	$ -	$ -
6% Notes payable	$ 10,471	$ 9,922	$ 12,000	$ 11,029
Real estate:				
5.50% Term Bonds payable	$ 111	$ 111	$ 111	$ 111
Construction loan	$ 114	$ 109	$ 396	$ 388
Promissory Note Payable	$ 60	$ 60	$ 105	$ 105

In estimating the fair value of financial instruments, we used the following methods and assumptions:

Cash and cash equivalents and restricted cash: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents and restricted cash approximates their fair value.

Receivables, net and income tax receivable: The carrying amount reported in the consolidated balance sheets for receivables, net and income tax receivable approximates their fair value.

7.50% Notes and 4.50% Notes: At June 30, 2011 and December 31, 2010, the fair value of the 7.50% Notes and the 4.50% Notes is estimated, based on quoted or estimated market prices.

Real estate notes payable: The fair values of the 6% notes payable and construction loan as of June 30, 2011 and December 31, 2010 are estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements. The carrying values for the 5.50% term bonds payable and the promissory note payable approximates their fair value.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Variable Interest Entities

GAAP requires a variable interest entity ("VIE") to be consolidated with a company which is the primary beneficiary. The primary beneficiary of a VIE is the entity that has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Entities determined to be VIEs, for which we are not the primary beneficiary, are accounted for under the equity method.

Avatar's variable interest in VIEs may be in the form of (1) equity ownership, (2) contracts to purchase assets and/or (3) loans provided by Avatar to a VIE. We examine specific criteria and use judgment when determining if Avatar is the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, level of economic disproportionality between Avatar and the other partner(s) and contracts to purchase assets from VIEs.

We participate in entities with equity interests ranging from 20% to 50% for the purpose of acquiring and/or developing land in which we may or may not have a controlling interest. These entities are VIEs and our investments in these entities, along with other arrangements represent variable interests, depending on the contractual terms of the arrangement. We analyze these entities when they are entered into or upon a reconsideration event.

Consolidation of Variable Interest Entities

During 2009, we entered into two separate agreements with unrelated third parties providing for the formation of two separate limited liability companies ("LLCs"). We subsequently sold developed, partially-developed and undeveloped land to each of the newly formed companies for a combination of cash and purchase money notes. We acquired a minority ownership interest in each of the LLCs and participate in the management of each of the LLCs. We also entered into land option contracts with these newly formed LLCs. Under such land option contracts, we paid a specified option deposit in consideration for the right, but not the obligation, to purchase developed lots in the future at predetermined prices.

We determined that these entities qualify as VIEs which require consolidation by the entity determined to be the primary beneficiary. As a result of our analyses, we hold a variable interest in the VIEs through the purchase money notes, the land option contracts and an economic interest in these LLCs. As of June 30, 2011, our consolidated balance sheets include $3,470 in land and other inventories and $1,075 in property and equipment from these LLCs. As of December 31, 2010, our consolidated balance sheets include $3,440 in land and other inventories and $1,161 in property and equipment from these LLC's.

Avatar and its equity partners make initial or ongoing capital contributions to these consolidated entities on a pro rata basis. The obligation to make capital contributions is governed by each consolidated entity's respective operating agreement.

As of June 30, 2011, these consolidated entities were financed by partner equity and do not have third-party debt. In addition, we have not provided any guarantees to these entities or our equity partners.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Variable Interest Entities - continued

Unconsolidated Variable Interest Entities

We participate in entities with equity interests ranging from 20% to 50% for the purpose of acquiring and/or developing land in which we do not have a controlling interest. We analyze these entities when they are entered into or upon a reconsideration event. All of such entities in which we had an equity interest at June 30, 2011 and December 31, 2010 are accounted for under the equity method.

Avatar shares in the profits and losses of these unconsolidated entities generally in accordance with its ownership interests. Avatar and its equity partners make initial or ongoing capital contributions to these unconsolidated entities on a pro rata basis. The obligation to make capital contributions is governed by each unconsolidated entity's respective operating agreement.

During 2009 and 2008, we entered into various transactions with unaffiliated third parties providing for the formation of LLCs; and we subsequently sold developed and partially-developed land to each of the newly-formed LLCs. We acquired a minority ownership interest in each of the LLCs and share in the management of each of the LLCs. Avatar made contributions totaling $57 and $115 to its unconsolidated entities during the six months ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, these unconsolidated entities were financed by partner equity and do not have third-party debt. In addition, we have not provided any guarantees to these entities or our equity partners.

The following are the consolidated condensed balance sheets of our unconsolidated entities as of June 30, 2011 and December 31, 2010:

	June 30 2011	December 31 2010
Assets:		
Cash	$ 76	$ 465
Land and other inventory	8,621	11,574
Other assets	35	84
Total assets	$ 8,732	$ 12,123
Liabilities and Partners' Capital:		
Accounts payable and accrued liabilities	$ 1,830	$ 1,448
Notes and interest payable to Avatar	756	3,724
Partners' Capital of:		
Avatar	1,205	1,470
Equity partner	4,941	5,481
Total liabilities and partners' capital	$ 8,732	$ 12,123

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Variable Interest Entities - continued

The following are the consolidated condensed statements of operations of our unconsolidated entities for the six and three months ended June 30, 2011 and 2010:

	Six Months		Three Months	
	2011	2010	2011	2010
Revenues	$ 3,876	$ 5	$ 3,876	$ 5
Costs and expenses	3,667	627	3,326	323
Net income (loss) from unconsolidated entities	$ 209	$ (622)	$ 550	$ (318)
Avatar's share of income (loss) from unconsolidated entities	$ 15	$ (207)	$ 143	$ (117)

Estimated Development Liability for Sold Land

The estimated development liability consists primarily of utilities improvements in Poinciana and Rio Rico for more than 8,000 homesites previously sold and is summarized as follows:

	June 30, 2011	December 31, 2010
Gross estimated unexpended costs	$ 26,173	$ 26,197
Less costs relating to unsold homesites	(5,957)	(5,909)
Estimated development liability for sold land	$ 20,216	$ 20,288

The estimated development liability for sold land is reduced by actual expenditures and is evaluated and adjusted, as appropriate, to reflect management's estimate of anticipated costs. In addition, we obtain quarterly third-party engineer evaluations and adjust this liability to reflect changes in the estimated costs. We recorded charges associated with these obligations of $0 during both the six and three months ended June 30, 2011 and 2010. Future increases or decreases of costs for construction, material and labor as well as other land development and utilities infrastructure costs may have a significant effect on the estimated development liability.

Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) – continued

Commitments and Contingencies

We are involved in various pending litigation matters primarily arising in the normal course of our business. These cases are in various procedural stages. Although the outcome of these matters cannot be determined, Avatar believes it is probable in accordance with ASC 450-20, *Loss Contingencies* , that certain claims may result in costs and expenses estimated at approximately $44 and $165, which have been accrued in the accompanying consolidated balance sheets as of June 30, 2011 and December 31, 2010, respectively . Liabilities or costs arising out of these and other currently pending litigation is not expected to have a material adverse effect on our business, consolidated financial position or results of operations.

Performance bonds, issued by third party entities, are used primarily to guarantee our performance to construct improvements in our various communities. As of June 30, 2011, we had outstanding performance bonds of approximately $2,248. We do not believe that it is likely any of these outstanding performance bonds will be drawn upon.

Financial Information Relating To Reportable Segments

The following table summarizes Avatar's information for reportable segments for the six and three months ended June 30, 2011 and 2010:

	Six Months		Three Months	
Revenues:	2011	2010	2011	2010
Segment revenues				
Active adult communities	$ 17,273	$ 17,053	$ 9,467	$ 12,375
Primary residential	6,938	8,315	3,283	3,693
Commercial and industrial and other land sales	15,065	23	15,065	23
Other operations	702	599	391	408
	39,978	25,990	28,206	16,499
Unallocated revenues				
Interest income	300	254	132	132
Other	300	681	28	671
Total revenues	$ 40,578	$ 26,925	$ 28,366	$ 17,302
Operating income (loss):				
Segment operating income (loss)				
Active adult communities	$ (5,450)	$ (1,478)	$ (3,112)	$ 535
Primary residential	(2,214)	(2,503)	(979)	(861)
Commercial and industrial and other land sales	6,817	(27)	6,817	10
Other operations	113	270	70	279
	(734)	(3,738)	2,796	(37)
Unallocated income (expenses):				
Interest income	300	254	132	132
Loss on repurchase of 4.50% Notes	(211)	-	-	-
Equity earnings (losses) from unconsolidated entities	15	(207)	143	(117)
Net loss attributable to non-controlling interests	255	272	128	139
General and administrative expenses	(6,750)	(7,845)	(3,349)	(3,762)
Interest expense	(4,793)	(3,162)	(2,362)	(1,486)
Other real estate expenses	(1,605)	(1,453)	(914)	(612)
Impairment of land developed or held for future development	(13,100)	-	(13,100)	-
Loss before income taxes	$ (26,623)	$ (15,879)	$ (16,526)	$ (5,743)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-Q.

In the preparation of our financial statements, we apply United States generally accepted accounting principles. The application of generally accepted accounting principles may require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying results. For a description of our accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2010.

Certain statements discussed under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and elsewhere in this Form 10-Q constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include: the stability of certain financial markets; disruption of the credit markets and reduced availability and more stringent financing requirements for commercial and residential mortgages of all types; the number of investor and speculator resale homes for sale and homes in foreclosure in our communities and in the geographic areas in which we develop and sell homes; the increased level of unemployment; the decline in net worth and/or of income of potential buyers; the decline in consumer confidence; the failure to successfully implement our business strategy (including our intentions to focus primarily on the development of active adult communities in the future); shifts in demographic trends affecting demand for active adult and primary housing; the level of immigration and migration into the areas in which we conduct real estate activities; our access to financing; construction defect and home warranty claims; changes in, or the failure or inability to comply with, government regulations; the failure to successfully integrate acquisitions into our business, including our recent JEN Transaction; and other factors as are described in Avatar’s filings with the Securities and Exchange Commission, including under the caption “Risk Factors” included in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31 , 2010 . At least 80% of active adult homes are intended for occupancy by at least one person 55 years or older. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which reflect management’s opinions only as of the date hereof.

EXECUTIVE SUMMARY

We are engaged in the business of real estate operations in Florida and Arizona. Our residential community activities have been adversely affected in both markets, bringing home sales to low levels. We also engage in other real estate activities, such as the operation of amenities, and the sale for third-party development of commercial and industrial land, which activities have also been adversely affected by economic conditions.

Our primary business strategy is the development of active adult communities, and we remain opportunistic about the development of primary residential communities. We believe the demographics are good for active adult development. Solivita and CantaMia, our active adult communities in Central Florida and Goodyear, Arizona, respectively, will initially serve as our flagship communities as we pursue our active adult business strategy. Our business remains capital intensive and requires or may require expenditures for land and infrastructure development, housing construction, funding of operating deficits and working capital, as well as potential new acquisitions of real estate and real estate-related assets. We continue to carefully manage our inventory levels through monitoring land development and home starts. We anticipate that we will continue to generate operating losses during 2011. We believe that we have sufficient available cash to fund these losses for 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

EXECUTIVE SUMMARY – continued

During the six months ended June 30, 2011, our homebuilding results reflect the difficult conditions in our Florida and Arizona markets characterized by record levels of homes available for sale and diminished buyer confidence. The number of foreclosures, pending foreclosures, mortgage defaults and investor-owned units for sale; availability of significant discounts; the difficulty of potential purchasers in selling their existing homes at prices they are willing to accept; the significant amount of standing inventory and competition continue to adversely affect both the number of homes we are able to sell and the prices at which we are able to sell them. In addition, our business is affected to some extent by the seasonality of home sales which are generally higher during the months of November through April in the geographic areas in which we conduct our business.

The downturn in the real estate market has caused the fair value of certain of our inventory to fall below its carrying value. As a result, we have written down the carrying value of certain of our inventory to its fair value, and taken corresponding non-cash charges against our earnings. If the real estate market declines further, we may need to take additional charges against our earnings for inventory impairments or write-downs of our investments in unconsolidated entities and other assets.

We continue our ongoing efforts to improve our operating efficiencies by identifying areas of our business where we can reduce our expenses. As part of this process, we will examine our assets to determine which assets fit within our primary business strategy. These evaluations may also result in additional cash and non-cash charges or write-downs.

During the six and three months ended June 30, 2011, our impairment assessment resulted in impairment charges of $14,097 and $13,800, respectively, which included approximately $997 and $700, respectively, in impairment charges related to homes completed or under construction and approximately $13,100 in impairment charges for land developed and/or held for future development or sale. During the six and three months ended June 30, 2010, our impairment assessment resulted in impairment charges of $168 and $0, respectively, which related to homes completed or under construction. Reduced interest from potential buyers during the second quarter of 2011 resulted in impairment charges for property located in Central Florida.

Land Inventory

Our assets consist primarily of real estate in the states of Florida and Arizona. As of June 30, 2011, we own more than 17,000 acres and through partnerships in several limited liability companies (“LLCs”) have a minority ownership interest in an additional 830 acres of developed, partially developed or developable residential, commercial and industrial property. We are required to consolidate these LLCs in accordance with authoritative accounting guidance. Some portion of these acres may be developed as roads, retention ponds, parks, school sites, community amenities or for other similar uses.

Within Florida and Arizona we also own more than 15,000 acres of preserves, wetlands, open space and other areas that at this time are not developable, permitable and/or economically feasible to develop, but may at some future date have an economic value for preservation or conservation purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

EXECUTIVE SUMMARY – continued

Land Inventory – continued

The following is a breakdown of our land holdings (not including our housing inventory) as of June 30, 2011 (dollars in thousands):

		Estimated Planned Lots/Units (1)				
Acquisition Date	Contract Date	Developed	Partially Developed	Raw	Total	Book Value
Residential						
Osceola County, Florida						
Pre-1980		200	-	2,200	2,400	$ 5,286
1999-2001		500	700	-	1,200	45,225
2003	2002-2003	-	-	1,000	1,000	7,880
2004	2002-2003	-	-	1,400	1,400	19,283
2006	2002-2003	-	-	1,600	1,600	19,044
2011	2010	220	-	-	220	4,325
Total Osceola County		920	700	6,200	7,820	101,043
Polk County, Florida						
Pre-1980		900	1,000	2,400	4,300	20,894
2003	2002-2003	800	-	100	900	29,397
2004	2002-2003	-	-	2,500	2,500	19,754
Total Polk County		1,700	1,000	5,000	7,700	70,045
Orange County, Florida						
2010	2010	-	839	-	839	17,953
St. Lucie County, Florida						
2009	2009	267	364	400	1,031	2,175
Hernando County, Florida						
2004-2005	2003	-	5	-	5	31
Collier and Lee County, Florida						
Pre-1980		50	-	-	50	178
Highlands County, Florida						
Pre-1980		40	-	40	80	102
Santa Cruz County,(Rio Rico), Arizona						
Pre-1980		600	300	3,700	4,600	10,303
Maricopa County, Arizona						
2010	2010	290	398	-	688	37,019
Pinal County, Arizona						
2010	2010	-	-	1,064	1,064	5,802
Pima County, Arizona						
2009	2009	86	-	-	86	3,897
Total Residential		3,953	3,606	16,404	23,963	$ 248,548

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

EXECUTIVE SUMMARY – continued

Land Inventory - continued

Acquisition ate	Contract Date	Estimated Planned Lots/Units (1) Developed	Partially Developed	Raw	Total	Book Value
***Consolidated LLCs* (3)**						
Polk County, Florida						
2005	2004	200	-	300	500	$ 1,774
Martin County, Florida						
1981-1987		75	-	200	275	1,666
Total Consolidated LLCs		275	-	500	775	$ 3,440

Acquisition Date	Contract Date	Estimated Acres	Book Value
Commercial/Industrial/Institutional			
Florida			
Pre-1980		1,300	$ 7,257
2004 (2)	2004	300	14,804
2005 (2)	2004	400	3,059
Total Florida		2,000	25,120
Arizona			
Pre-1980		200	273
Total Commercial/Industrial/Institutional		2,200	$ 25,393
Other			
Preserves, wetlands, open space			
Pre-1980		-	$ 3,239
Other		-	4,846
Total Other		-	$ 8,085

(1) Estimated planned lots/units are based on historical densities for our land. New projects may ultimately be developed into more or less than the number of lots/units stated.
(2) During the 4th quarter 2008, our plans for this property changed from developing it as single family housing to permitting as commercial/industrial/institutional land.
(3) These landholdings were sold during 2009 to two newly formed LLCs in which we own a minority interest. These LLCs are consolidated for accounting purposes. As a result, the transactions did not qualify as sales for financial reporting purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS

The following table provides a comparison of certain financial data related to our operations for the six and three months ended June 30, 2011 and 2010:

	Six Months		Three Months	
	2011	2010	2011	2010
Operating income (loss):				
Active adult communities				
Revenues	$ 17,273	$ 17,053	$ 9,467	$ 12,375
Expenses	22,723	18,531	12,579	11,840
Segment operating income (loss)	(5,450)	(1,478)	(3,112)	535
Primary residential				
Revenues	6,938	8,315	3,283	3,693
Expenses	9,152	10,818	4,262	4,554
Segment operating loss	(2,214)	(2,503)	(979)	(861)
Commercial and industrial and other land sales				
Revenues	15,065	23	15,065	23
Expenses	8,248	50	8,248	13
Segment operating income (loss)	6,817	(27)	6,817	10
Other operations				
Revenues	702	599	391	408
Expenses	589	329	321	129
Segment operating income	113	270	70	279
Operating income (loss)	(734)	(3,738)	2,796	(37)
Unallocated income (expenses):				
Interest income	300	254	132	132
Loss on repurchase of 4.50% Notes	(211)	-	-	-
Equity earnings (losses) from unconsolidated entities	15	(207)	143	(117)
Net loss attributable to non-controlling interests	255	272	128	139
General and administrative expenses	(6,750)	(7,845)	(3,349)	(3,762)
Interest expense	(4,793)	(3,162)	(2,362)	(1,486)
Other real estate expenses	(1,605)	(1,453)	(914)	(612)
Impairment of land developed or held for future development	(13,100)	-	(13,100)	-
Loss before income taxes	(26,623)	(15,879)	(16,526)	(5,743)
Income tax benefit	-	-	-	-
Net loss	$ (26,623)	$ (15,879)	$ (16,526)7)	$ (5,743)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS – continued

Data from closings for the active adult and primary residential homebuilding segments (excluding revenues from our amenity operations) for the six and three months ended June 30, 2011 and 2010 is summarized as follows:

	Number of Units	Revenues	Average Price Per Unit
For the six months ended June 30,			
2011			
Active adult communities	51	$ 11,153	$ 219
Primary residential	24	5,736	$ 239
Total	75	$ 16,889	$ 225
2010			
Active adult communities	60	$ 11,093	$ 185
Primary residential	35	7,112	$ 203
Total	95	$ 18,205	$ 192
For the three months ended June 30,			
2011			
Active adult communities	29	$ 6,613	$ 228
Primary residential	13	2,680	$ 206
Total	42	$ 9,293	$ 221
2010			
Active adult communities	52	$ 9,573	$ 184
Primary residential	15	3,181	$ 212
Total	67	$ 12,754	$ 190

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS – continued

Data from contracts signed for the active adult and primary residential homebuilding segments for the six and three months ended June 30, 2011 and 2010 is summarized as follows:

	Gross Number of Contracts Signed	Cancellations	Contracts Signed, Net of Cancellations	Dollar Value	Average Price Per Unit
For the six months ended June 30,					
2011					
Active adult communities	83	(16)	67	$ 15,572	$ 232
Primary residential	31	(3)	28	6,817	$ 243
Total	114	(19)	95	$ 22,389	$ 236
2010					
Active adult communities	78	(7)	71	$ 14,393	$ 203
Primary residential	34	(7)	27	6,392	$ 237
Total	112	(14)	98	$ 20,785	$ 212
For the three months ended June 30,					
2011					
Active adult communities	38	(9)	29	$ 7,133	$ 246
Primary residential	16	(1)	15	3,135	$ 209
Total	54	(10)	44	$ 10,268	$ 233
2010					
Active adult communities	31	(4)	27	$ 5,104	$ 189
Primary residential	14	(3)	11	3,527	$ 321
Total	45	(7)	38	$ 8,631	$ 227

Backlog for the active adult and p rimary residential homebuilding segments as of June 30, 2011 and 2010 is summarized as follows:

	Number of Units	Dollar Volume	Average Price Per Unit
As of June 30,			
2011			
Active adult communities	44	$ 11,712	$ 266
Primary residential	19	5,196	$ 273
Total	63	$ 16,908	$ 268
2010			
Active adult communities	20	$ 5,546	$ 277
Primary residential	8	2,502	$ 313
Total	28	$ 8,048	$ 287

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS – continued

The number of net housing contracts signed during the six months ended June 30, 2011 compared to the same period in 2010 decreased approximately 3%, however the dollar value of housing contracts signed increased approximately 8% primarily as a result of higher average sales prices for housing contracts signed from the communities we acquired in the JEN Transaction. The low volume of housing contracts signed for the six months ended June 30, 2011 continues to reflect the weak market for new residences in the geographic areas where our communities are located. Our communities are located in areas of Florida and Arizona where there is an excess of units for sale, including foreclosures and houses being sold by lenders, and continued use of various sales incentives by residential builders in our markets, including Avatar. During the six and three months ended June 30, 2011, cancellations of previously signed contracts totaled 19 and 10 compared to 14 and 7 during the six and three months ended June 30, 2010, respectively. As a percentage of the gross number of contracts signed, this represents 17% and 19% for the six and three months ended June 30, 2011, respectively. As a percentage of the gross number of contracts signed, this represents 13% and 16% for the six and three months ended June 30, 2010, respectively.

As of June 30, 2011, our inventory of unsold (speculative) homes, both completed and under construction, was 79 units compared to 83 units as of December 31, 2010. As of June 30, 2011, approximately 80% of unsold homes were completed compared to approximately 65% as of December 31, 2010.

During the six months ended June 30, 2011 compared to the six months ended June 30, 2010, the number of homes closed decreased by approximately 21% and the related revenues decreased by approximately 7%. Our average sales price for homes closed during the six months ended June 30, 2011 increased to $225 compared to $192 for the six months ended June 30, 2010. The decrease in closings and revenues for the six and three months ended June 30, 2011 is primarily attributable to decreased closings from Seasons at Tradition. We anticipate that we will close in excess of 80% of the homes in backlog as of June 30, 2011 during the subsequent 12-month period, subject to cancellations by purchasers prior to scheduled delivery dates. We do not anticipate a meaningful improvement in our markets in the near term.

Net loss for the six and three months ended June 30, 2011 was ($26,623) or ($2.14) per basic and diluted share and ($16,526) or ($1.33) per basic and diluted share, respectively, compared to net loss of ($15,879) or ($1.41) per basic and diluted share and ($5,743) or ($0.51) per basic and diluted share, respectively, for the comparable periods in 2010. The increase in net loss for the six and three months ended June 30, 2011 compared to the same periods in 2010 was primarily due to increased losses in our active adult communities operations, increases in interest expense and impairment charges of $14,097 and $13,800 during the six and three months ended June 30, 2011. Partially offsetting the increases in losses for the six and three months ended June 30, 2011 was increases in commercial and industrial and other land sales, decreases in general and administrative expenses and decreases in other real estate expenses. in our primary residential communities operations and decreases in general and administrative expenses partially offset by increased losses in our active adult communities.

Revenues from active adult operations increased $220 or 1.3% and decreased $2,908 or 23.5%, respectively, for the six and three months ended June 30, 2011 compared to the same periods in 2010. Expenses from active adult operations increased $4,192 or 22.6% and $739 or 6.2%, respectively, for the six and three months ended June 30, 2011 compared to the same periods in 2010. The increase in revenues for the six months ended June 30, 2011 compared to the same period last year is primarily due to higher average sales prices from house closings. The decrease in revenues for the three months ended June 30, 2011 compared to the same period last year is primarily attributable to less closings at Seasons at Tradition. The increase in expenses during the six and three months ended June 30, 2011 compared to the same periods in 2010 is attributable to increased advertising and marketing expenses and expenditures incurred with the launch of our Younger Next Year (“YNY”) lifestyle programs at Solivita and CantaMia. Also contributing to the increase in expenses was impairment charges from completed or homes under construction of approximately $990 and $700, respectively, compared to $0 for the six and three months ended June 30, 2010. The average sales price on closings from active adult homebuilding operations during the six and three months ended June 30, 2011 was $219 and $228, respectively, compared to $185 and $184, respectively, during the same periods in 2010. The average contribution margin (excluding impairment charges) on closings from active adult homebuilding operations during the six and three months ended June 30, 2011 was approximately 19% and 20%, respectively, compared to approximately 34% and 39%, respectively, during the same periods in 2010. During the six and three months ended June 30, 2011, at Seasons at Tradition, we had 11 and 6 closings, with an aggregate dollar value of approximately $2,578 and $1,534, respectively, and at CantaMia we had 15 and 7 closings with an aggregate dollar value of approximately $3,503 and $1,774, respectively. During the six and three months ended June 30, 2010, at Seasons at Tradition, we had 42 closings for both periods, with an aggregate dollar value of approximately $6,766 during both periods. We did not have closings at CantaMia during the six and three months ended June 30, 2010 since the JEN Transaction occurred on October 25, 2010. Included in the results from active adult operations are divisional overhead allocated among several communities and our amenity operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS – continued

Revenues from primary residential operations decreased $1,377 or 16.6% and $410 or 11.1%, respectively, for the six and three months ended June 30, 2011 compared to the same periods in 2010. Expenses from primary residential operations decreased $1,666 or 15.4% and $292 or 6.4%, respectively, for the six and three months ended June 30, 2011 compared to the same periods in 2010. The decrease in revenues is primarily attributable to decreased closings. The decrease in expenses is attributable to lower costs associated with lower volume of closings. During the six and three months ended June 30, 2011, we recorded impairment charges from homes completed or under construction of approximately $7 and $0, respectively, compared to approximately $168 and $0 for the six and three months ended June 30, 2010, respectively. The average sales price on closings from primary residential homebuilding operations for the six and three months ended June 30, 2011 was $239 and $206, respectively, compared to $203 and $212, respectively, for the same periods in 2010. The average contribution margin (excluding impairment charges) on closings from primary residential homebuilding operations for the six and three months ended June 30, 2011 was approximately 3% and 0.2%, respectively, compared to approximately 2% and 10%, respectively, for the same periods in 2010. Included in the results from primary residential operations are divisional overhead allocated among several communities and our amenity operations.

The amount and types of commercial and industrial and other land sold vary from year to year depending upon demand, ensuing negotiations and the timing of the closings of these sales. Revenues from commercial and industrial and other land sales increased $15,042 for both the six and three months ended June 30, 2011 compared to the same periods in 2010. During the six and three months ended June 30, 2011, we realized pre-tax profits of $6,817 on revenues of $15,065 from sales of commercial, industrial and other land. Expenses from commercial, industrial and other land sales increased approximately $8,200 for the six and three months ended June 30, 2011 compared to the same periods in 2010. The increase in expenses is attributable to higher volume of closings of commercial and industrial and other land sales.

General and administrative expenses decreased $1,095 or 14% and $413 or 11% for the six and three months ended June 30, 2011, respectively, compared to the same periods in 2010. The decrease was primarily due to decreases in compensation expense and professional fees partially offset by severance expense related to the resignation of our former CEO on June 15, 2011. Also contributing to the decrease was a reduction of the earn-out liability of $1,022 as a result of a decrease in Avatar’s stock price as of June 30, 2011 compared to December 31, 2010.

Interest expense increased $1,631 or 51.6% and $876 or 59.0% for the six and three months ended June 30, 2011, respectively, compared to the same periods in 2010. The increase in interest expense is primarily attributable to the increase in outstanding indebtedness during 2011 compared to 2010 as well as the increase in our incremental borrowing rate as a result of the issuance of the 7.50% Notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

RESULTS OF OPERATIONS – continued

During the six and three months ended June 30, 2011, our impairment assessment resulted in impairment charges of $14,097 and $13,800, respectively, which included approximately $997 and $700, respectively, in impairment charges related to homes completed or under construction and approximately $13,100 in impairment charges for land developed and/or held for future development or sale. During the six and three months ended June 30, 2010, our impairment assessment resulted in impairment charges of $168 and $0, respectively, which related to homes completed or under construction. Our evaluation of land developed and/or held for future development or sale resulted in impairment charges as a result of reduced interest during the second quarter of 2011 from third parties for property located in Central Florida.

In accordance with ASC 740, Avatar evaluates its deferred tax assets quarterly to determine if valuation allowances are required. ASC 740 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a “more likely than not” standard. During 2008, we established a valuation allowance against our deferred tax assets. Our cumulative loss position over the evaluation period and the uncertain and volatile market conditions provided significant evidence supporting the need for a valuation allowance. During the six months ended June 30, 2011, we recognized an increase of $10,271 in the valuation allowance. As of June 30, 2011, our deferred tax asset valuation allowance was $32,793. In future periods, the allowance could be reduced based on sufficient evidence indicating that it is more likely than not that a portion of our deferred tax assets will be realized.

LIQUIDITY AND CAPITAL RESOURCES

Our primary business activities are capital intensive in nature. Significant capital resources are required to finance planned active adult and primary residential communities, homebuilding construction in process, community infrastructure, selling expenses, new projects and working capital needs, including funding of debt service requirements, operating deficits and the carrying costs of land.

Cash Flows

As of June 30, 2011, our cash and cash equivalents totaled $146,036, compared to cash and cash equivalents of $115,502 as of December 31, 2010. As of June 30, 2011, total consolidated indebtedness was $116,158, including $100,000 carrying amount of our 7.50% Notes, $5,402 carrying amount of our 4.50% Notes, $10,471 in obligations from the JEN Transaction and borrowings of $285 secured financing, compared to borrowings of $77,057 as of December 31, 2010. Additionally, as of June 30, 2011 we had $8,380 in restricted cash of which $7,669 is posted to collateralize outstanding letters of credit compared to $8,422 in restricted cash as of December 31, 2010.

Our operating cash flows fluctuate relative to the status of development within existing communities, expenditures for land, new developments and other real estate activities, and sales of various homebuilding product lines within those communities and other developments and to fund operating deficits.

For the six months ended June 30, 2011, net cash used in operating activities amounted to $3,546, primarily as a result of proceeds of $3,248 from earnings and notes receivable from unconsolidated entities and $6,794 to fund operating losses. Net cash used in investing activities amounted to $35 from investments in property and equipment. Net cash provided by financing activities of $34,115 was attributable to proceeds of $100,000 from issuance of the 7.50% Notes partially offset by $4,627 for issuance costs related to the 7.50% Notes, repurchase of $59,402 principal amount of the 4.50% Notes and $1,856 used for the repayment of real estate borrowings.

For the six months ended June 30, 2010, net cash used in operating activities amounted to $885, as a result of $22,035 used to collateralize outstanding letters of credit and $12,131 to fund operating losses. Offsetting cash used was $33,627 received in income tax refunds. Net used in investing activities amounted to $100 due primarily to investments in unconsolidated entities of $82. Net cash used in financing activities of $55,881 was attributable to the payoff of the Amended Unsecured Credit Facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

LIQUIDITY AND CAPITAL RESOURCES – continued

In 2006, we closed on substantially all of the land sold under the threat of condemnation, and in 2007 we closed on the remainder. We believe these transactions entitled us to defer the payment of income taxes of $24,355 from the gain on these sales. During October 2009, we received from the Internal Revenue Service a final extension until December 31, 2010 to obtain replacement property to defer the entire payment of income taxes. As a result of the property acquisitions during 2009 and 2010, including the JEN Transaction, we believe the properties acquired will satisfy the required replacement property; however, we are uncertain as to the final determination. If it is determined that we have not acquired a sufficient amount of replacement property, we may be required to make an income tax payment plus interest on the portion not replaced as of December 31, 2010.

Financing

7.50% Notes and 4.50% Notes

On January 31, 2011, Avatar and Avatar Properties Inc. (“API”), entered into an Underwriting Agreement (the “Underwriting Agreement”) with Barclays Capital Inc. (the “Underwriter”). Pursuant to the Underwriting Agreement, Avatar agreed to issue and sell to the Underwriter, and the Underwriter agreed to purchase for sale in an underwritten public offering, $100,000 aggregate principal amount of 7.50% Notes. The 7.50% Notes were sold to the Underwriter at 95.75% of the principal amount of the 7.50% Notes, and were sold to the public at a purchase price of 100% of the principal amount of the 7.50% Notes, plus accrued interest, if any, from February 4, 2011. On February 4, 2011, Avatar completed the sale of the 7.50% Notes in accordance with the terms of the Underwriting Agreement. The sale of the 7.50% Notes was registered pursuant to the Registration Statement filed by Avatar with the SEC. Net proceeds to Avatar from the sale of the 7.50% Notes was $95,373 after deducting the Underwriter’s discount of 4.25% and expenses of $377. Avatar intends to use the proceeds from the sale of the 7.50% Notes for general corporate purposes, including, without limitation, the repayment of debt, including the 4.50% Notes, which notes may be put to Avatar pursuant to the terms thereof on each of April 1, 2011, April 1, 2014, and April 1, 2019, or called by Avatar at any time on or after April 5, 2011, and potential new acquisitions of real estate and real estate-related assets. On February 4, 2011, we purchased $17,765 principal amount of the 4.50% Notes which was accounted for as an extinguishment of debt in accordance with ASC 470-20. As of April 1, 2011, holders of $41,637 principal amount exercised their rights to require us to repurchase.

The 7.50% Notes are governed by the Base Indenture and the Supplemental Indenture, together the Indenture, both dated as of February 4, 2011, between Avatar and Wilmington Trust FSB, as trustee, and include the following terms:

Interest : Interest on the 7.50% Notes is 7.50% per year, payable semi-annually in arrears in cash on February 15 and August 15 of each year, beginning on August 15, 2011.

Conversion : Holders may convert the 7.50% Notes into shares of Avatar’s common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The 7.50% Notes are convertible at an initial conversion rate of 33.3333 shares of common stock per $1 principal amount of the 7.50% Notes (equivalent to an initial conversion price of approximately $30.00 per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances, including upon the occurrence of a “non-stock change of control” as such term is defined in the Indenture. Upon any conversion, subject to certain exceptions, holders will not receive any cash payment representing accrued and unpaid interest.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

LIQUIDITY AND CAPITAL RESOURCES – continued

Financial covenants : The Indenture includes the following financial covenants:

- until February 15, 2014, Avatar will maintain, at all times, cash and cash equivalents of not less than $20,000;
- until the second anniversary of the original issuance date of the 7.50% Notes, Avatar's total consolidated indebtedness (as "indebtedness" is defined in the Indenture) may not exceed $150,000 at any time;
- until the second anniversary of the original issuance date of the 7.50% Notes, Avatar's total consolidated indebtedness (as "indebtedness" is defined in the Indenture) shall not exceed $50,000 at any time, excluding for purposes of this covenant: (a) the 7.50% Notes and (b) any indebtedness with a maturity date after February 15, 2014, which indebtedness does not provide the holder with a unilateral put right prior to February 15, 2014.

Repurchase Right: Holders of the 7.50% Notes have the right to require Avatar to repurchase the Notes on February 15, 2014; or upon the occurrence of a breach of any of the financial covenants, a "fundamental change" (as defined in the Indenture), or an event of default (as described in the Indenture).

Redemption Right : Avatar may, at any time on or after February 15, 2014, at its option, redeem for cash all or any portion of the outstanding 7.50% Notes, but only if the last reported sale price of Avatar's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day before the date Avatar provides the notice of redemption to holders exceeds 130% of the conversion price in effect on each such trading day and certain other conditions described in the Indenture are met.

On March 30, 2004, we issued $120,000 aggregate principal amount of 4.50% Notes in a private offering. Interest is payable semiannually on April 1 and October 1. The 4.50% Notes are senior, unsecured obligations and rank equal in right of payment to all of our existing and future unsecured and senior indebtedness. However, the 4.50% Notes are effectively subordinated to all of our existing and future secured debt to the extent of the collateral securing such indebtedness, and to all existing and future liabilities of our subsidiaries.

Holders may require us to repurchase the 4.50% Notes for cash on April 1, 2011, April 1, 2014 and April 1, 2019; or in certain circumstances involving a designated event, as defined in the indenture for the 4.50% Notes, holders may require us to purchase all or a portion of their 4.50% Notes. We may, at our option, redeem for cash all or a portion of the 4.50% Notes at any time on or after April 5, 2011. In each case, we will pay a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. On April 1, 2011, holders of $41,637 principal amount of the 4.50% Notes exercised their right to require us to repurchase the 4.50% Notes. As of June 30, 2011, $5,402 principal amount of the 4.50% Notes remained outstanding.

FASB ASC 470-20 requires the issuer of certain convertible debt instruments that may be settled in cash on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. ASC 470-20 requires bifurcation of the instrument into a debt component that is initially recorded at fair value and an equity component. The difference between the fair value of the debt component and the initial proceeds from issuance of the instrument is recorded as a component of equity. The excess of the principal amount of the liability component over its carrying amount and the debt issuance costs are amortized to interest cost using the interest method over the expected life of a similar liability that does not have an associated equity component. ASC 470-20 applies to the 4.50% Notes, however bifurcation of the 7.50% Notes is not required since the instrument does not have a cash settlement option upon conversion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

LIQUIDITY AND CAPITAL RESOURCES – continued

As of June 30, 2011 and December 31, 2010, the 4.50% Notes and the equity component associated with ASC 470-20 were comprised of the following:

	June 30 2011	December 31 2010
4.50% Notes		
Principal amount	$ 5,402	$ 64,804
Unamortized discount	-	(359)
Net carrying amount	$ 5,402	$ 64,445
Equity Component, net of income tax benefit	$ 13,737	$ 13,737

The discount on the liability component of the 4.50% Notes was amortized using the effective interest method based on an effective rate of 7.5%, which was the estimated market interest rate for similar debt without a conversion option on the issuance date. The discount is amortized from the issuance date in 2004 through April 1, 2011, the first date that holders of the 4.50% Notes can require us to repurchase the 4.50% Notes. As of June 30, 2011, the discount has been fully amortized. We recognized $293 and $0 in non-cash interest charges related to the amortization of the discount during the six and three months ended June 30, 2011, respectively, compared to $718 and $359 in non-cash interest charges related to the amortization of the discount during the six and three months ended June 30, 2010, respectively.

Credit Agreement; Secured Obligations; Performance Bonds

As of June 30, 2011, we have approximately $174 outstanding from secured obligations related to the JEN Transaction. We had a $3,000 construction loan facility with Mutual of Omaha bearing interest at prime plus 2% with a minimum floor of 5.50% which matured on May 12, 2011. On May 12, 2011, we modified this construction loan facility capacity to $6,000 bearing interest at prime plus 2% with a minimum floor of 5.50% which matures on May 12, 2012. As of June 30, 2011, the interest rate on this facility was 5.50%. As of June 30, 2011, $114 was outstanding.

Performance bonds, issued by third party entities, are used primarily to guarantee our performance to construct improvements in our various communities. As of June 30, 2011, we had outstanding performance bonds of approximately $2,248. We do not believe that it is likely any of these outstanding performance bonds will be drawn upon.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

LIQUIDITY AND CAPITAL RESOURCES – continued

Poinciana Parkway

In December 2006, we entered into agreements with Osceola County, Florida and Polk County, Florida for us to develop and construct at our cost a 9.66 mile four-lane road (including a 4.15 mile private toll section) in Osceola and Polk Counties to be known as the Poinciana Parkway (the "Poinciana Parkway"). Such agreements have been amended so that we are required to obtain financing and commence construction of the Parkway by February 14, 2012 and complete such construction by May 7, 2014, subject to extension for force majeure. We have acquired all of the rights of way necessary to construct the Poinciana Parkway. We also have all material permits for construction of the Poinciana Parkway and such permits do not expire until February 14, 2018.

If funding and commencement of construction of the Poinciana Parkway is not achieved by February 14, 2012, the Counties have no right to obtain damages or seek specific performance against Avatar; however, (i) a portion of Avatar's land in Osceola County will become subject to Osceola traffic concurrency requirements applicable generally to other home builders in the County and (ii) Avatar will be required to contribute approximately $1,900 towards the construction cost of certain traffic improvements in Osceola County that we otherwise might have been obligated to build or fund if we had not agreed to construct the Poinciana Parkway.

Osceola County and Avatar are still attempting to locate governmental funds for development of the Poinciana Parkway. We cannot predict whether any governmental funds will be available. We intend to seek extensions of the deadlines in our agreements with Polk and Osceola Counties.

For the Poinciana Parkway, indicators of impairment are general economic conditions, rate of population growth and estimated change in traffic levels. If indicators are present, we perform an impairment test in which the asset is reviewed for impairment by comparing the estimated future undiscounted cash flows to be generated by the asset to its carrying value. If such cash flows are less than the asset's carrying value, the carrying value is written down to its estimated fair value. In determining estimated future cash flows for purposes of the impairment test, we incorporate current market assumptions based on general economic conditions such as anticipated estimated revenues and estimated costs. These assumptions can significantly affect our estimates of future cash flows.

Our estimate of the right-of-way acquisition, development and construction costs for the Poinciana Parkway approximates $175,000 to $200,000. However, no assurance of the ultimate costs can be given at this stage. As of June 30, 2011, approximately $47,500 has been expended. During fiscal years 2009 and 2008, we recorded impairment charges of $8,108 and $30,228, respectively, associated with the Poinciana Parkway.

We review the recoverability of the carrying value of the Poinciana Parkway on a quarterly basis in accordance with authoritative accounting guidance. Based on our review as of June 30, 2011, we determined the estimated future undiscounted cash flows of the Poinciana Parkway were greater than its carrying value, therefore no impairment losses were recorded during the six and three months ended June 30, 2011. Non-capitalizable expenditures of $46 and $20 related to the Poinciana Parkway were expensed during the six and three months ended June 30, 2011, respectively, and $265 and $57 during the six and three months ended June 30, 2010, respectively. At June 30, 2011, the carrying value of the Poinciana Parkway is $8,452.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except share and per share data) –continued

LIQUIDITY AND CAPITAL RESOURCES – continued

Other

On October 13, 2008, our Board of Directors amended its June 2005 authorization to purchase the 4.50% Notes and/or common stock to allow expenditures up to $30,000, including the $9,864 previously authorized. On October 17, 2008, we repurchased $35,920 principal amount of the 4.50% Notes for approximately $28,112 including accrued interest. On December 12, 2008, our Board of Directors amended its June 2005 authorization to purchase the 4.50% Notes and/or common stock to allow expenditures up to $30,000, including the $1,888 remaining after the October 2008 activities. During 2009, we repurchased $14,076 principal amount of the 4.50% Notes for approximately $11,696 including accrued interest. As of June 30, 2011, the remaining authorization is $18,304.

Assuming that no additional significant adverse changes in our business occur, we anticipate the aggregate cash on hand, cash flow generated through homebuilding and related operations, and sales of commercial and industrial and other land, will provide sufficient liquidity to fund our business for 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2011 as compared to those we disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 3. Q uantit ative and Qualitative Disclosure About Market Risk

There have been no material changes in Avatar’s market risk during the six months ended June 30, 2011. For additional information regarding Avatar’s market risk, refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Con trols and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this quarterly report. Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we have determined that, during the fiscal quarter ended June 30, 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 6.	Exhibits
10.1	Stock Award Agreement, dated as of November 15, 2010, between Avatar Holdings Inc. and Jon M. Donnell (filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2011, and incorporated herein by reference).*
10.2	Stock Award Agreement, dated as of October 25, 2010, between Avatar Holdings Inc. and Joseph Carl Mulac, III (filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2011, and incorporated herein by reference).*
10.3	Amended and Restated 1997 Incentive and Capital Accumulation Plan (2011 Restatement) (filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011, and incorporated herein by reference).*
10.4	Amended and Restated 2005 Executive Incentive Compensation Plan (2011 Restatement) (filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011, and incorporated herein by reference).*
10.5	Separation Agreement, dated June 15, 2011, by and between Avatar Holdings Inc. and Jon Donnell (filed herewith).*
10.6	Employment Agreement, dated as of June 15, 2011, by and between Avatar Holdings Inc. and Allen J. Anderson (filed herewith).*
10.7	First Amendment, dated as of August 8, 2011, to the Employment Agreement, dated as of June 15, 2011, between Avatar Holdings Inc. and Allen J. Anderson (filed herewith).*
10.8	Stock Award Agreement, dated as of June 15, 2011, between Avatar Holdings Inc. and Allen J. Anderson (filed herewith).*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer required by 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) (furnished herewith).
32.2	Certification of Principal Financial Officer required by 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) (furnished herewith).
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**
101.LAB	XBRL Taxonomy Extension Label Linkbase.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**

* Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVATAR HOLDINGS INC.

Date: August 9, 2011

By: /s/ Allen J. Anderson

Allen J. Anderson, Director, President, and Chief Executive Officer (Principal Executive Officer)

Date: August 9, 2011

By: /s/ Michael P. Rama

Michael P. Rama, Controller, Principal Financial Officer and Principal Accounting Officer

Ex h ibit Index

10.5	Separation Agreement, dated June 15, 2011, by and between Avatar Holdings Inc. and Jon Donnell (filed herewith).*
10.6	Employment Agreement, dated as of June 15, 2011, by and between Avatar Holdings Inc. and Allen Anderson (filed herewith).*
10.7	First Amendment, dated as of August 8, 2011, to the Employment Agreement, dated as of June 15, 2011, between Avatar Holdings Inc. and Allen J. Anderson (filed herewith).*
10.8	Stock Award Agreement, dated as of June 15, 2011, between Avatar Holdings Inc. and Allen J. Anderson (filed herewith).*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer required by 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) (furnished herewith).
32.2	Certification of Principal Financial Officer required by 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002) (furnished herewith).
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**
101.LAB	XBRL Taxonomy Extension Label Linkbase.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**

* Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under those sections

Exhibit 10.5

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this " Agreement ") is entered into on June 15, 2011, by and between Avatar Holdings Inc., a Delaware corporation (the " Company ") and Jon Donnell (the " Executive ").

WHEREAS , the Executive and the Company (each, a " Party " and together, the " Parties ") are parties to an Employment Agreement dated as of October 19, 2010 (the " Employment Agreement "); and

WHEREAS , the Parties have agreed that the Executive's employment with the Company will terminate as of June 15, 2011 (the " Termination Date "); and

WHEREAS , the Parties wish to set forth their respective rights and obligations in connection with the termination of Executive's employment with the Company.

NOW, THEREFORE , based upon the mutual promises and conditions contained herein, the Parties agree as follows:

1. Termination of Employment . The Executive's employment as Chief Executive Officer and a Director of the Company (and his employment in all other positions, offices and titles that he holds at the Company or any of its subsidiaries or affiliates immediately prior to the Termination Date) shall terminate as of the Termination Date, and in each case such termination shall be treated as a termination by Company without Cause (as defined in the Employment Agreement).

2. The Executive's Entitlements . In connection with the foregoing, and in accordance with the applicable terms of the Employment Agreement, the Executive shall:

(a) be paid any accrued and unpaid Base Salary (as defined in the Employment Agreement) and vacation earned but unused through the Termination Date, such payment to be made within 10 days following the Effective Date (as defined in Section 5 (g) below);

(b) be paid an amount equal to $1,000,000.00 (two times the Executive's Base Salary), such payments to be made in equal installments on the Company's regular payroll dates over the period commencing on the first payroll date following the Effective Date and ending on the date that is six months after such date;

(c) be provided continued coverage under the Benefits Plans (as defined in the Employment Agreement) from the Termination Date through December 31, 2012, on terms and conditions set forth in such plans (as they may be amended from time to time) as if the Executive continued to be employed by Company during such period;

(d) vest in the number of shares of restricted stock subject to the Time-Based Award (as defined in the Employment Agreement) equal to **(i)** the number of shares subject to the Time-Based Award that would have vested on December 31, 2011, multiplied by **(ii)** a fraction, the numerator of which is equal to the number of days Executive worked from January 1, 2011, through the Termination Date and and the denominator of which is 365; and

(e) vest in the number of shares of restricted stock subject to the Performance-Based Award (as defined in the Employment Agreement) equal to the number of shares subject to the Performance-Based Award that would have vested on December 31, 2011, in accordance with Section 4(a)(ii) of the Employment Agreement.

3. Mutual Release of Claims .

(a) Release by the Executive . The Executive, on his own behalf and on behalf of his heirs, executors, administrators and legal representatives (collectively, the " Executive Parties ") hereby irrevocably and unconditionally releases and forever discharges the Company and its shareholders, employees, officers and directors (collectively, the " Company Parties ") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, " Claims "), whether known or unknown, whether now existing or hereafter arising, that any Executive Party may have, may have had, or may hereafter have, and that are based in whole or in part on facts, whether or not now known, existing prior to the Effective Date, regarding any matter whatsoever, including but not limited to any Claim based on Title VII of the Civil Rights Act of 1964; the Americans With Disabilities Act; the Fair Labor Standards Act; the Equal Pay Act; the Family and Medical Leave Act; the Executive Retirement Income Security Act of 1974 (except as to claims pertaining to vested benefits under employee benefit plans maintained by the Company); the Occupational Safety and Health Act; the Worker Adjustment and Retraining Notification Act; the National Labor Relations Act; the Immigration Reform and Control Act; all applicable amendments to the foregoing acts and laws; and any common law, public policy, contract (whether oral or written, express or implied) and tort law, and any other local, state, federal or foreign law, regulation or ordinance having any bearing whatsoever on the Executive's employment relationship with, and service as an employee, officer or director of, the Company, and the termination of such relationship or service, or any other matter whatsoever; provided , however , that this Agreement shall not release any rights or entitlements of the Executive that arises under or is preserved by this Agreement.

(b) Release by the Company . The Company, on behalf of itself and the Company Parties, hereby releases, acquits and forever discharges the Executive and the Executive Parties from any and all Claims, whether known or unknown, whether now existing or hereafter arising, at law or in equity, that any Company Party may have, may have had, or may hereafter have, and that are based in whole or in part on facts, whether or not now known, existing prior to the Effective Date, regarding any matter whatsoever, other than claims based on the Executive's willful misconduct, fraud or gross neglect.

4. Restrictive Covenants .

(a) Unauthorized Disclosure . Without the prior written consent of the Company, except to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, in which event Executive shall use his best efforts to consult with the Company prior to responding to any such order or subpoena, Executive shall not disclose any confidential or proprietary trade secrets, customer lists, drawings, designs, marketing plans, management organization information (including but not limited to data and other information relating to members of the Board of Directors (the " Board "), the Company, or any of its affiliates or to the management of the Company or any of its affiliates), operating policies or manuals, business plans, financial records, or other financial, commercial, business or technical information **(i)** relating to the Company or any of its affiliates; or **(ii)** that the Company or any of its affiliates may receive belonging to customers or others who do business with the Company or any of its affiliates (collectively, " Confidential Information ") to any third Person (as defined below) unless such Confidential Information has been previously disclosed to the public generally or is in the public domain, in each case, other than by reason of Executive's breach of this Section 4(a).

(b) Non-Competition . For the six-month period commencing on the Termination Date (the " Restriction Period "), Executive shall not, directly or indirectly, own any interest in, operate, join, control or participate as a partner, shareholder, member, director, manager, officer, or agent of, enter into the employment of, act as a consultant to, or perform any services for any entity that is in competition with the business of the Company or any of its affiliates within 100 miles of any jurisdiction in which the Company or any of its affiliates is engaged, or in which any of the foregoing has documented plans to become engaged of which Executive has knowledge as of the Termination Date; provided , however , that it shall not be a violation of this Section 4(b) if the Executive owns less than 5% (as a passive investment) in any public company.

(c) Non-Solicitation of Employees . During the Restriction Period, Executive shall not, directly or indirectly, for Executive's own account or for the account of any other natural person, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a " Person ") in any jurisdiction in which the Company or any of its affiliates has commenced or has made plans to commence operations during the Term (as defined in the Employment Agreement), **(i)** solicit for employment, employ or otherwise interfere with the relationship of the Company or any of its affiliates with any natural person throughout the world who is or was employed by or otherwise engaged to perform services for the Company or any of its affiliates at any time during the Term; or **(ii)** induce any employee of the Company or any of its affiliates to engage in any activity which Executive is prohibited from engaging in under any of this Section 4 or to terminate such employee's employment with the Company or such affiliate.

(d) Non-Solicitation of Business Relationships . During the Restriction Period, Executive shall not, directly or indirectly, for Executive's own account or for the account of any other Person, in any jurisdiction in which the Company or any of its affiliates has commenced or made plans to commence operations, solicit, interfere with, or otherwise attempt to establish any business relationship of a nature that is competitive with the business or relationship of the Company or any of its affiliates with any Person throughout the world which is or was a customer, client, distributor, supplier or vendor of the Company or any of its affiliates at any time during the Term.

(e) Non-Disparagement . Executive agrees that he shall not, directly or indirectly, engage in any conduct or make any statement disparaging or criticizing in any way the Company or any of its affiliates or any of their personnel, nor shall he, directly or indirectly, engage in any other conduct or make any other statement that could be reasonably expected to impair the goodwill of the Company or any of its affiliates, or the reputation of the Company or any of its affiliates, in either case except to the extent required by law, and then only after consultation with the Company to the extent possible, or to enforce the terms of this Agreement.

(f) Return of Documents . Promptly following the Termination Date, Executive shall deliver to the Company **(i)** all property of the Company and any of its affiliates then in Executive's possession; and **(ii)** all documents and data of any nature and in whatever medium of the Company and any of its affiliates, and Executive shall not take with Executive any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

(g) Cooperation . Executive agrees that he will cooperate in all reasonable respects with the Company and its affiliates in connection with any and all existing or future litigation, actions or proceedings (whether civil, criminal, administrative, regulatory or otherwise) brought by or against the Company or any of its affiliates, to the extent the Company reasonably deems Executive's cooperation necessary. The Company shall reimburse Executive for all reasonable out-of-pocket expenses incurred by Executive as a result of such cooperation.

5. Miscellaneous .

(a) Public Announcements . The Executive and the Company shall jointly draft, and shall mutually agree on, any press release, regulatory filing, or other public statement that is made by the Company and that relates to this Agreement or to the Executive's employment with, or services for, the Company or to the termination thereof.

(b) Tax Withholding; Section 409A . The Company shall withhold from any amount or benefit payable under this Agreement any taxes that it is required to withhold by applicable law or regulation. Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payment of the benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code ") or shall comply with the requirements of such provision. Notwithstanding anything herein to the contrary, if the Executive is a "specified employee" (within the meaning of Section 409A of the Code (" Section 409A ")), any payments or arrangements due on or after the Separation Date under any arrangement that constitutes a "deferral of compensation" (within the meaning of Section 409A) and which do not otherwise qualify under the exemptions under Treas. Regs. Section 1.409A, shall be delayed and paid or provided on the earlier of **(i)** the date which is six months after the Executive's "separation from service" (as such term is defined in Section 409A) for any reason other than death, and **(ii)** the date of his death. After the Effective Date, the Executive shall have no duties or responsibilities that are inconsistent with having a "separation from service" as of such date. Any amounts otherwise payable to the Executive on or after the Effective Date that are not so paid by reason of this Section 5(b) shall be paid as soon as practicable after, and in any event within thirty (30) days after, the date that is six months after the Executive's separation from service (or, if earlier, the date of his death). Each payment under this Agreement or otherwise shall be treated as a separate payment for purposes of Section 409A.

(c) Notice . Any notice or other communication required or permitted to be delivered under this Agreement shall be **(i)** in writing; **(ii)** delivered personally, by facsimile, by electronic mail, by courier service or by certified or registered mail, first class postage prepaid and return receipt requested; **(iii)** deemed to have been received on the date of delivery or, if so mailed, on the third business day after the mailing thereof; and **(iv)** addressed to the party as set forth below (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof).

If to Employee:
Jon Donnell
1800 Ben Franklin Drive #706
Sarasota, Florida 34236

With a copy to:
Greene, Hamrick Perrey Quinlan & Schermer, P.A.
601 12th Street West
Bradenton, Florida 34205
Attention: Robert Greene
Facsimile: 941-748-8708

If to the Company:
Avatar Holdings Inc.
201 Alhambra Circle, 12th Floor
Coral Gables, Florida 33134
Attention: Chairman of the Board and General Counsel
Facsimile: (305) 441-7876

with a copy to:
Morrison Cohen LLP
909 Third Avenue
New York, New York 10022
Attention: David A. Scherl, Esq.
Facsimile: (212) 735-8608

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(d) Amendment or Modification; Waiver . No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is set forth in a writing that expressly identifies provisions being amended and that is signed by the Parties. No waiver by any person or entity of any breach of any condition or provision contained in this Agreement shall be deemed a waiver of any similar or dissimilar condition or provision at any prior or subsequent time. To be effective, a waiver must be set forth in a writing that is signed by the waiving person or entity and that expressly identifies the condition or provision breach of which is being waived.

(e) Binding Effect . This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns and the Executive and the Executive's heirs, executors, administrators and legal representatives.

(f) Entire Agreement . This Agreement constitutes the entire understanding and agreement between the Parties concerning the specific subject matter hereof and supersedes in its entirety, as of the Effective Date, any prior agreement between the Parties, including but not limited to the Employment Agreement.

(g) Effective Date . The Executive acknowledges that he has been given a period of at least twenty-one (21) calendar days to review and consider the provisions of this Agreement. The Executive further understands and acknowledges that he has seven (7) calendar days following the execution of this Agreement to revoke his acceptance of this Agreement. This Agreement will not become effective or enforceable until after the seven (7) day period to revoke this Agreement has expired without the Executive's revocation. The effective date of this Agreement (the " Effective Date ") shall be the eighth (8 th) day following its execution by the Executive, provided the Executive shall not have timely revoked this Agreement in accordance with the foregoing prior to such eighth (8 th) day.

(h) Governing Law . This Agreement shall be governed, construed, performed and enforced in accordance with its express terms and otherwise in accordance with the laws of the State of New York, without reference to principles of conflicts of law.

(i) Counterparts . This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signatures delivered by facsimile and/or "pdf" shall be deemed effective for all purposes.

(j) Headings . The headings of the sections and sub-sections contained in this Agreement are for the convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

[*Signature page follows*]

IN WITNESS WHEREOF , the Parties have executed this Agreement as of the date and year first above written.

AVATAR HOLDINGS INC.

By: /s/Joshua Nash

Name: Joshua Nash
Title: Chairman, Board of Directors

JON DONNELL

/s/ Jon Donnell

Exhibit 10.6

EMPLOYMENT AGREEMENT

This Employment Agreement (this " Agreement ") is dated as of June 15, 2011, and is made by and between Avatar Holdings Inc. (the " Company "), and Allen Anderson (" Executive ").

WHEREAS , the Company desires to employ Executive as its Chief Executive Officer, and Executive desires to be so employed, on the terms and conditions set forth herein.

NOW, THEREFORE , Executive and the Company (each, a " Party " and together, the " Parties ") hereby agree as follows:

1. Employment. Subject to the terms and conditions of this Agreement, the Company hereby agrees to employ Executive as its Chief Executive Officer as of June 15, 2011 (the " Start Date "), and Executive hereby accepts employment with the Company as of such date.

2. Term; Position and Responsibilities.

(a) Term . The Company shall employ Executive hereunder for a term commencing as of the Start Date and ending on December 31, 2011 (the " Initial Term "). So long as the Parties agree in writing prior to the end of the Initial Term (which writing may contain such replacement or additional terms to this Agreement as the Parties may agree, including but not limited to a change in Executive's position), the term of Executive's employment will continue on January 1, 2012, and terminate on June 30, 2014 (the " Renewal Term " and, together with the Initial Term, the " Term "). Notwithstanding the foregoing, the Initial Term or the Renewal Term (and, therefore, the Term) will terminate upon the earlier termination of Executive's employment as herein provided.

(b) Position and Responsibilities . During the Term, Executive shall serve as Chief Executive Officer of the Company. Executive shall have such duties and responsibilities as are customarily assigned to individuals serving in such position, and such other duties consistent with Executive's position as the Board of Directors of the Company (the " Board ") specifies from time to time. Executive shall devote substantially all of his business time and attention to the performance of such duties and responsibilities; provided , that , Executive shall not be prohibited from **(i)** performing services for any charitable, religious or community organizations, **(ii)** continuing to serve as a Manager of JEN Partners, LLC, and **(iii)** continuing to serve as the Chairman of the Board of Boston Financial Investment Management, so long as such services do not, individually or in the aggregate, materially interfere with the performance of Executive's duties hereunder.

3. Base Salary. During the Term, the Company shall pay Executive an annualized base salary of $360,000, which shall be paid in periodic installments on the Company's regular payroll dates (" Base Salary ").

4. Employee Benefits. During the Term, Executive and his eligible dependents shall be entitled to participate in all employee benefit plans for executive officers on the terms and conditions set forth in such plans (as they may be amended from time to time), other than the Company's health insurance plans. In lieu of participation in the Company's health insurance plans, the Company shall reimburse Executive, in cash, for his cost of participating in his own personal health insurance plan within ten (10) days following the date on which Executive provides appropriate supporting documentation to the Company.

5. Equity.

(a) First Restricted Stock Award . Effective as of the Start Date, the Company shall grant to Executive an award (the " First Award ") of 90,000 restricted shares of common stock, par value $0.01, of the Company (" Common Stock "). The First Award shall be governed by the Avatar Holdings Inc. Amended and Restated 1997 Incentive and Capital Accumulation Plan (2005 Restatement) (the " CAP Plan ") and the award agreement that Executive and the Company shall enter into effective as of the Start Date (the " First Award Agreement "), the terms of which shall be consistent with, and include performance goals that are based on the performance goals described in, this Section 5(a) (the " Performance Goals "). The restricted stock subject to the First Award shall vest to the extent the Performance Goals have been achieved by the end of the Initial Term. Within 15 days following the end of the Initial Term, the compensation committee of the Board (the " Compensation Committee ") will determine in good faith whether and to what extent (expressed as a percentage) the Performance Goals have been achieved. The Performance Goals to be achieved during the Initial Term are: **(A)** the identification of, and submission to the Board of a plan for the disposition of, material non-core assets of the Company; **(B)** the commencement of a plan for a material reduction in general administrative and overhead costs; **(C)** the submission to the Board of a strategic plan for the Company to achieve positive cash flows and earnings; and **(D)** the commencement of the relocation of the Company's corporate offices (including the leasing of new space and a plan for the disposition of the premises in Coral Gables).

(b) Second Restricted Stock Award . If the Parties agree to extend Executive's employment in accordance with Section 2(a) above, then effective as of the first day of the Renewal Term (i.e. , January 1, 2012), the Company shall grant to Executive an award of 320,000 restricted shares of Common Stock (the " Second Award "). The Second Award shall be governed by the CAP Plan and the award agreement that Executive and the Company shall enter into as of the date of grant (the " Second Award Agreement "), the terms of which shall be consistent with this Section 5(b).

(i) The Renewal Term shall be divided into three tranches: the " First Renewal Sub-Term ," which shall be the period from January 1, 2012, through June 30, 2012; the " Second Renewal Sub-Term ," which shall be the period from July 1, 2012, through June 30, 2013; and " Third Renewal Sub-Term ," which shall be the period from July 1, 2013, through June 30, 2014 (each, a " Sub-Term " and collectively, the " Sub-Terms ").

(ii) The restricted stock subject to the Second Award shall be divided into three tranches: the " First Tranche ," which shall be 64,000 shares of restricted stock; the " Second Tranche ," which shall be 128,000 shares of restricted stock; and the " Third Tranche ," which shall be 128,000 shares of restricted stock (each, a " Tranche " and collectively, the " Tranches ").

(iii) The restricted stock subject to First Tranche shall vest to the extent the goals described in this Sections 5 (b)(iii) have been achieved by the end of the First Renewal Sub-Term. Within 15 days following the end of the First Renewal Sub-Term, the Compensation Committee will determine in good faith whether and to what extent (expressed as a percentage) the goals have been achieved. The goals to be achieved during the First Renewal Sub-Term shall be based on: **(A)** a material reduction in general administrative and overhead costs as compared to the general administrative and overhead costs for the six-month period ending June 30, 2011; **(B)** the approval by the Board of Directors of, and the commencement of the implementation of, a strategic plan for the Company to achieve positive cash flows and earnings; and **(C)** the completion of the relocation of the Company's corporate offices.

(iv) The restricted stock subject to Second Tranche shall vest to the extent the goals described in this Sections 5 (b)(iv) have been achieved by the end of the Second Renewal Sub-Term. Within 15 days following the end of the Second Renewal Sub-Term, the Compensation Committee will determine in good faith whether and to what extent (expressed as a percentage) the goals have been achieved. The goals to be achieved during the Second Renewal Sub-Term shall be based on: **(A)** the closing of the sale of material non-core assets of the Company; **(B)** the submission to, and approval by, the Board of Directors of a plan for the Company to return to profitability by December 31, 2013; and **(C)** the investment, or commitment, of at least 50% of cash available for long-term investments.

(v) The restricted stock subject to Third Tranche shall vest to the extent the goals described in this Sections 5 (b)(v) have been achieved by the end of the Third Renewal Sub-Term. Within 15 days following the end of the Third Renewal Sub-Term, the Compensation Committee will determine in good faith whether and to what extent (expressed as a percentage) the goals have been achieved. The goals to be achieved during the Third Renewal Sub-Term shall be based on: **(A)** the continued successful implementation of the strategic plan; and **(B)** the Company's return to profitability by December 31, 2013.

6. Expenses; Vacation; Legal Fees.

(a) Business Travel, Lodging, etc . The Company shall reimburse Executive for reasonable travel, lodging, meal and other reasonable expenses incurred by Executive in connection with the performance of services hereunder upon submission of evidence, satisfactory to the Company, of the incurrence and purpose of each such expense and otherwise in accordance with the Company's expense substantiation policy applicable to its employees as in effect from time to time.

(b) Vacation . During the Term, Executive shall be entitled 20 business days of paid vacation days per calendar year (prorated for partial calendar years), without carryover accumulation, which shall accrue in equal installments on a monthly basis.

(c) Legal Fees . The Company shall pay or reimburse Executive for all attorneys' fees and other charges of counsel reasonably incurred by Executive in connection with the negotiation and execution of this Agreement and related agreements and arrangements, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

7. Termination of Employment. Executive's employment hereunder may be terminated by either Party at any time and for any reason (or no reason) upon at least 15 days' prior written notice (a " Notice of Termination "), which is a written notice by the terminating Party stating that Executive's employment with the Company will be terminated as of the date specified in such Notice of Termination (the " Date of Termination "). Upon termination of Executive's employment, Executive shall be entitled to any accrued and unpaid Base Salary and accrued but unused vacation through the Date of Termination. As of the effective date of Executive's termination of employment with the Company, Executive shall resign, in writing, from all positions then held by Executive with the Company and its affiliates, unless otherwise requested by the Company (provided, however, that he shall not be required to resign his membership from the Board or from any role incident thereto or associated therewith).

8. Change in Control or Material Capital Transaction.

(a) During the Initial Term .

(i) Notwithstanding anything to the contrary in the CAP Plan or the First Award Agreement, in the event of the occurrence of a Change in Control (as defined below) during the Initial Term, **(A)** the restricted stock subject to the First Award shall vest in full as of the date of the Change in Control, and **(B)** in lieu of the Second Award, the Company shall deliver 320,000 fully vested shares of Common Stock as of the date of the Change in Control.

(ii) Notwithstanding anything to the contrary in the CAP Plan or the First Award Agreement, in the event of the occurrence of a Material Capital Transaction (as defined below) during the Initial Term in connection with which the Company terminates Executive's employment, provided that Executive is willing to remain employed through the date on which a replacement Chief Executive Officer commences employment with the Company, **(A)** the restricted stock subject to the First Award shall vest in full as of the date of such termination, and **(B)** in lieu of the Second Award, the Company shall deliver 320,000 fully vested shares of Common Stock as of the date of termination.

(b) During the Renewal Term .

(i) Notwithstanding anything to the contrary in the CAP Plan or the First Award Agreement or the Second Award Agreement, in the event of the occurrence of a Change in Control during the Renewal Term, the restricted stock subject to the First Award (to the extent not then vested) and the restricted stock subject to the Second Award shall vest in full as of the date of the Change in Control.

(ii) Notwithstanding anything to the contrary in the CAP Plan or the First Award Agreement or the Second Award Agreement, in the event of the occurrence of a Material Capital Transaction during the Renewal Term in connection with which the Company terminates Executive's employment, provided that Executive is willing to remain employed through the date on which a replacement Chief Executive Officer commences employment with the Company, the restricted stock subject to the First Award (to the extent not then vested) and the restricted stock subject to the Second Award shall vest in full as of the date of such termination.

(c) Definitions .

(i) For purposes of this Agreement, a " Material Capital Transaction " shall mean any sale, disposition, merger, acquisition, reorganization, consolidation, split-up, spin-off, combination, exchange of shares, or other similar corporate transaction involving the Company (each, a " Transaction "), where the value of the Transaction is equal to or exceeds one-third of the sum of **(A)** the total equity value of the Company based on fully diluted shares of Common Stock outstanding including any shares of Common Stock to be issued in such transaction and **(B)** total outstanding debt.

(ii) For purposes of this Agreement, " Change in Control " shall have the meaning set forth in the CAP Plan, provided that any nonqualified deferred compensation subject to section 409A of the Code that would become payable pursuant to this Section 8 as a result of a Change in Control shall only become payable if the Change in Control qualifies as a "change in control event" within the meaning of section 409A.

9. Restrictive Covenants.

(a) Unauthorized Disclosure . During the Term and following any termination thereof, without the prior written consent of the Company, except to the extent required by an order of a court having competent jurisdiction or under subpoena from an appropriate government agency, in which event Executive shall use his best efforts to consult with the Company prior to responding to any such order or subpoena, and except as required in performance of Executive's duties hereunder, Executive shall not disclose any confidential or proprietary trade secrets, customer lists, drawings, designs, marketing plans, management organization information (including, but not limited to, data and other information relating to members of the Board, the Company, or any of its affiliates or to the management of the Company or any of its affiliates), operating policies or manuals, business plans, financial records, or other financial, commercial, business or technical information **(i)** relating to the Company or any of its affiliates; or **(ii)** that the Company or any of its affiliates may receive belonging to customers or others who do business with the Company or any of its affiliates (collectively, " Confidential Information ") to any third Person (as defined below) unless such Confidential Information has been previously disclosed to the public generally or is in the public domain, in each case, other than by reason of Executive's breach of this Section 8(a). For purposes of this Agreement, " Person " means any natural person, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

(b) Nondisparagement . Executive agrees that he shall not, directly or indirectly, engage in any conduct or make any statement disparaging or criticizing in any way the Company or any of its affiliates or any of their personnel, nor shall he, directly or indirectly, engage in any other conduct or make any other statement that could be reasonably expected to impair the goodwill of the Company or any of its affiliates, or the reputation of the Company or any of its affiliates, in each case except to the extent required by law, and then only after consultation with the Company to the extent possible, or to enforce the terms of this Agreement. The Company agrees that it shall not, directly or indirectly, engage in any conduct or make any statement disparaging or criticizing Executive in any way, nor shall it engage in any other conduct or make any other statement that could be reasonably expected to impair Executive's goodwill or reputation, except to the extent required by law, and then only after consultation with Executive to the extent possible, or to enforce the terms of this Agreement.

(c) Return of Documents . In the event of the termination of Executive's employment, Executive shall deliver to the Company **(i)** all property of the Company and any of its affiliates then in Executive's possession; and **(ii)** all documents and data of any nature and in whatever medium of the Company and any of its affiliates, and Executive shall not take with Executive any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

(d) Confidentiality of Agreement . The parties to this Agreement agree not to disclose its terms to any Person, other than their attorneys, accountants, financial advisors or, in Executive's case, members of Executive's immediate family or, in the Company's case, for any reasonable purpose that is reasonably related to its business operations; provided, that this Section 9(d) shall not be construed to prohibit any disclosure required by law or in any proceeding to enforce the terms and conditions of this Agreement.

(e) Cooperation . Executive agrees that at all times following the termination of his employment, he will cooperate in all reasonable respects with the Company and its affiliates in connection with any and all existing or future litigation, actions or proceedings (whether civil, criminal, administrative, regulatory or otherwise) brought by or against the Company or any of its affiliates, to the extent the Company reasonably deems Executive's cooperation necessary. The Company shall reimburse Executive for all reasonable out-of-pocket expenses incurred by Executive as a result of such cooperation.

10. Tax Matters.

(a) Tax Withholding . All taxable compensation payable to Executive pursuant to this Agreement shall be subject to any applicable withholding taxes and such other taxes as are required under federal law or the law of any state or governmental body to be collected with respect to compensation paid by the Company to Executive.

(b) Section 409A . The intent of the parties is that payments and benefits under this Agreement comply with section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), to the extent subject thereto, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement that are subject to section 409A of the Code until the Executive has incurred a "separation from service" from the Company within the meaning of section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of section 409A of the Code. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following an Executive's separation from service shall instead be paid on the first business day after the date that is six months following the Executive's separation from service (or, if earlier, the Executive's date of death). To the extent required to avoid an accelerated or additional tax under section 409A of the Code, amounts reimbursable to Executive under this Agreement shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in kind benefits provided to Executive) during one year may not affect amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with section 409A of the Code and makes no undertaking to preclude section 409A of the Code from applying to any such payment.

(c) Section 280G . Notwithstanding anything in this Agreement to the contrary, in the event that any payment or benefit received or to be received by Executive (including any payment or benefit received in connection with a Change in Control or the termination of Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits being hereinafter referred to as the " Total Payments ") would not be deductible (in whole or part) by the Company as a result of section 280G of the Code, then, to the extent necessary to make the maximum amount of the Total Payments deductible, the portion of the Total Payments that do not constitute deferred compensation within the meaning of section 409A of the Code shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero), with cash payments being reduced before non-cash payments, and payments to be paid last being reduced first; provided , however , that such reduction shall only be made if **(i)** the amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to **(ii)** the amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of the excise tax imposed under section 4999 of the Code on such unreduced Total Payments).

11. Entire Agreement. This Agreement constitutes the entire agreement between the Company and Executive with respect to the subject matter hereof, and supersedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and Executive with respect thereto. All prior correspondence and proposals (including, but not limited to, summaries of proposed terms) and all prior offer letters, promises, representations, understandings, arrangements and agreements relating to such subject matter (including, but not limited to, those made to or with Executive by any other Person) are merged herein and superseded hereby.

12. General Provisions.

(a) Binding Effect; Assignment . This Agreement shall be binding on and inure to the benefit of the Company and its respective successors and permitted assigns. This Agreement shall also be binding on and inure to the benefit of Executive and Executive's heirs, executors, administrators and legal representatives. This Agreement shall not be assignable by any party hereto without the prior written consent of the other parties hereto, except as provided pursuant to this Section 12(a). The Company may effect such an assignment without prior written approval of Executive upon the transfer of all or substantially all of its business and/or assets (by whatever means).

(b) Indemnification; D&O Insurance . Executive shall be indemnified and held harmless (including the advancement of attorneys' fees) to the fullest extent permitted or authorized by the Company's by-laws or other applicable plan, program, agreement or arrangement of the Company. The rights conferred in this Section 12(b) shall continue as to Executive even if he ceases to be a director or officer of the Company and shall inure to the benefit of Executor's heirs, executors and administrators. The Company shall also provide Executive with coverage under its directors' and officers' liability insurance policy (or policies) to the same extent provided to its other senior executive officers generally.

(c) Governing Law; Waiver of Jury Trial .

(i) Governing Law; Consent to Jurisdiction . This Agreement shall be governed in all respects, including as to interpretation, substantive effect and enforceability, by the internal laws of the State of New York, without regard to conflicts of laws provisions thereof that would require application to the laws of another jurisdiction other than those that mandatorily apply. Each Party hereby irrevocably submits to the jurisdiction of the courts of the State of New York and the federal courts of the United States of America located in New York, NY, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby. Each Party hereby waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation and enforcement hereof, or in respect of any such transaction, that such action, suit or proceeding may not be brought or is not maintainable in such courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts. Each Party hereby consents to and grants any such court jurisdiction over the person of such parties and over the subject matter of any such dispute and agree that the mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 12(e) or in such other manner as may be permitted by law, shall be valid and sufficient service thereof.

(ii) Waiver of Jury Trial . Each Party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement, or the breach, termination or validity of this Agreement, or the transactions contemplated by this Agreement. Each Party certifies and acknowledges that **(A)** no representative, agent or attorney of the other Party has represented, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce the foregoing waiver; **(B)** each such Party understands and has considered the implications of this waiver; **(C)** each such Party makes this waiver voluntarily; and **(D)** each such Party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 12(c)(ii).

(d) Amendments; Waiver . No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved by a person authorized by the Company and is agreed to in writing by Executive and, in the case of any such modification, waiver or discharge affecting the rights or obligations of the Company, is approved by a person authorized thereby. No waiver by either Party hereto at any time of any breach by any other Party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No waiver of any provision of this Agreement shall be implied from any course of dealing between or among the Parties or from any failure by either Party hereto to assert its rights hereunder on any occasion or series of occasions.

(e) Notices . Any notice or other communication required or permitted to be delivered under this Agreement shall be **(i)** in writing; **(ii)** delivered personally, by facsimile, by electronic mail, by courier service or by certified or registered mail, first class postage prepaid and return receipt requested; **(iii)** deemed to have been received on the date of delivery or, if so mailed, on the third business day after the mailing thereof; and **(iv)** addressed to the Party as set forth below (or to such other address as the Party entitled to notice shall hereafter designate in accordance with the terms hereof).

If to Employee: At the address contained in the Company's payroll records

If to the Company: Avatar Holdings Inc.
201 Alhambra Circle, 12th Floor
Coral Gables, Florida 33134
Attention: Chairman of the Board and General Counsel
Facsimile: (305) 441-7876

with a copy to: Morrison Cohen LLP
909 Third Avenue
New York, New York 10022
Attention: David A. Scherl, Esq.
Facsimile: (212) 735-8608

(f) Survival . The Company and Executive hereby agree that the applicable provisions of this Agreement shall survive the expiration of the Term in accordance with their terms.

(g) Further Assurances . Each Party hereto agrees with the other Party that it will cooperate with such other Party and will execute and deliver, or cause to be executed and delivered, all such other instruments and documents, and will take such other actions, as such other Party may reasonably request from time to time to effectuate the provisions and purpose of this Agreement.

(h) Counterparts . This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The Parties agree to accept a signed facsimile copy of this Agreement as a fully binding original.

(i) Headings . The section and other headings contained in this Agreement are for the convenience of the Parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

IN WITNESS WHEREOF , the Company has duly executed this Agreement by its authorized representative, and Executive has hereunto set Executive's hand, in each case effective as of the date first above written.

AVATAR HOLDINGS INC.

By: /s/ Joshua Nash

Name: Joshua Nash
Title: Chairman

/s/ Allen Anderson

ALLEN ANDERSON

Exhibit 10.7

First Amendment to Employment Agreement

This **FIRST AMENDMENT** (this " Amendment ") to the Employment Agreement (the " Employment Agreement ") dated June 15, 2011, by and among Avatar Holdings Inc. (the " Company ") and Allen Anderson (" Executive "), is effective as of August 8, 2011 (the " Effective Date "). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Employment Agreement.

WHEREAS , the Company and Executive have entered into the Employment Agreement; and

WHEREAS , the parties hereto desire to amend the Employment Agreement as set forth herein.

NOW THEREFORE , in consideration of the foregoing premises and the mutual covenants and promises contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment to Employment Agreement. Section 6(b) of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

> "During the Term, Executive shall be entitled to 20 business days of paid vacation per calendar year, without carryover accumulation. If Executive's employment is terminated for any reason by either Party, any unused vacation will be forfeited."

2. General Provisions

(a) Entire Agreement . Except as amended by this Amendment, the Employment Agreement shall continue in full force and effect in accordance with its terms.

(b) Applicable Law . This Amendment shall be governed in all respects, including as to interpretation, substantive effect and enforceability, by the internal laws of the State of New York, without regard to conflicts of laws provisions thereof that would require application to the laws of another jurisdiction other than those that mandatorily apply.

(c) Headings . The section and other headings contained in this Amendment are for the convenience of the parties hereto only and are not intended to be a part hereof or to affect the meaning or interpretation hereof.

(d) Counterparts . This Amendment may be executed in any number of counterparts, each of which is an original, but all of which together constitute but one instrument. The parties hereto agree to accept a signed facsimile copy or portable document format of this Amendment as a fully binding original.

-- Signature page follows --

IN WITNESS WHEREOF , the Company has duly executed this Agreement by its authorized representative, and Executive has hereunto set Executive's hand, in each case effective as of the date first above written.

AVATAR HOLDINGS INC.

By: /s/ Patricia Kimball Fletcher
Name: Patricia Kimball Fletcher
Title: Executive Vice President, General Counsel
Secretary

/s/ Allen J. Anderson
ALLEN ANDERSON

Exhibit 10.8

STOCK AWARD AGREEMENT

This STOCK AWARD AGREEMENT (" Agreement "), dated June 15, 2011 (the " Effective Date "), by and between Avatar Holdings Inc., a Delaware corporation (the " Company ") and Allen Anderson (the " Participant ").

1. AWARD. Pursuant to the provisions of the Avatar Holdings Inc. Amended and Restated 1997 Incentive and Capital Accumulation Plan (2011 Restatement), as the same may be further amended, restated, modified or supplemented (the " Plan "), the Committee (as defined in the Plan, the " Committee ") hereby awards to the Participant, on the Effective Date, Ninety Thousand (90,000) shares of Common Stock (collectively, the " Shares ") subject to the terms and conditions of the Plan and the terms and conditions set forth herein, including forfeiture provisions and provisions restricting transfer. While the Shares are unvested, the Shares shall be referred to herein as " Restricted Stock ." Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan. The Shares (as defined below) are intended to constitute a Performance-Based Award within the meaning of the Plan.

2. TERMS AND CONDITIONS. The award evidenced by this Agreement is subject to the following terms and conditions:

(a) Recording of Ownership . Participant's ownership of the Restricted Stock shall be recorded through book entry, bearing the legend pursuant to the provisions of this Agreement, and shall remain so recorded until the restrictions thereon shall have lapsed, at which time the legend shall be removed.

(b) Stock Dividends and Stock Splits . In the event the Participant receives a stock dividend on the Restricted Stock or the Restricted Stock is split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock (other than regular cash dividends on and after the date of this Agreement) or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefore, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively " RS Property "), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including those of this Section 2, as the shares of Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock" and the term "Shares."

(c) Rights with Respect to Restricted Stock . Upon issuance in the Participant's name pursuant to Section 2(a) above, the Restricted Stock will constitute issued and outstanding shares of Common Stock for all corporate purposes. From and after the date of issuance, the Participant will have the right to vote the Restricted Stock, to receive and retain all regular cash dividends payable to holders of Common Stock of record on and after the issuance of the Restricted Stock (although such dividends shall be treated, to the extent required by law, as additional compensation for tax purposes if paid on Restricted Stock) and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock, with the exceptions that (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until all the vesting requirements with respect thereto shall have been fulfilled, (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates, if any, representing the Restricted Stock and the other RS Property until all the vesting requirements with respect thereto shall have been fulfilled, (iii) no RS Property shall bear interest or be segregated in separate accounts during the applicable restriction period, and (iv) except as set forth in the Plan or this Agreement, the Participant may not sell, assign, transfer, pledge, exchange, encumber or otherwise dispose of the Restricted Stock (other than by will or the laws of descent and distribution) until all the vesting requirements with respect thereto shall have been fulfilled.

(d) Each reference contained in this Agreement to:

" Change in Control " shall mean any of the following events:

(A) A person or entity or group of persons or entities, acting in concert, shall become the direct or indirect beneficial owner (within the meaning of Rule 13d-3 of the Exchange Act) of securities of the Company representing fifty-one percent (51%) or more of the combined voting power of the issued and outstanding common stock of the Company (a "Significant Owner"), unless such shares are originally issued to such Significant Owner by the Company; or

(B) The majority of the Board is no longer comprised of the incumbent directors who constitute the Board on the Effective Date [1] (as defined in Section 22(a) of the Plan) and any other individual(s) who becomes a director subsequent to the Effective Date of the Plan whose initial election or nomination for election as a director, as the case may be, was approved by at least a majority of the directors who comprised the incumbent directors as of the date of such election or nomination; or

(C) A sale of all or substantially all of the assets of the Company; or

(D) The Board shall approve any merger, consolidation, or like business combination or reorganization of the Company, the consummation of which would result in the occurrence of any event described in clause (C) above, and such transaction shall have been consummated.

" Performance Goals " shall mean: (A) the identification of, and submission to the Board of a plan for the disposition of, material non-core assets of the Company; (B) the commencement of a plan for a material reduction in general administrative and overhead costs; (C) the submission to the Board of a strategic plan for the Company to achieve positive cash flows and earnings; and (D) the commencement of the relocation of the Company's corporate offices (including the leasing of new space and a plan for the disposition of the premises in Coral Gables).

[1] Solely for purposes of Section 3(d) hereof, the term "Effective Date" shall have the meaning ascribed to it in Section 22(a) of the Plan.

" Common Stock " shall mean common stock, par value $1.00 per share, of the Company.

" Employment Agreement " shall mean the Participant's employment agreement with the Company, dated June 15, 2011, as amended or restated from time to time.

" Material Capital Transaction " shall mean any sale, disposition, merger, acquisition, reorganization, consolidation, split-up, spin-off, combination, exchange of shares, or other similar corporate transaction involving the Company (each, a " Transaction "), where the value of the Transaction is equal to or exceeds one-third of the sum of (A) the total equity value of the Company based on fully diluted shares of Common Stock outstanding including any shares of Common Stock to be issued in such transaction and (B) total outstanding debt.

3. VESTING.

(a) General . Subject to Section 4 hereof, shares of Restricted Stock shall vest and cease to be Restricted Stock upon the satisfaction of the performance based vesting requirements of Section 3(b).

(b) Performance Based Vesting . The Restricted Stock shall vest, as set forth in this Section 3(b), on the earlier of (i) January 1, 2012, or (ii) the date the Participant's employment with the Company terminates. The Restricted Stock shall only vest to the extent (expressed as a percentage) the Performance Goals have been met on such applicable date, as determined in good faith by the Committee. Except as provided in Section 4(b), the Committee shall make such determination no later than January 15, 2012.

4. TERMINATION OF EMPLOYMENT; CHANGE IN CONTROL; MATERIAL CAPITAL TRANSACTION; EXPIRATION OF AWARD.

(a) Except as otherwise provided in this Section 4, upon any termination of employment with the Company, the Participant shall forfeit to the Company, without compensation, all the shares of Restricted Stock which have not vested on the date of such termination of employment with the Company.

(b) In the event of a termination of employment prior to December 31, 2011, the Restricted Stock shall vest only to the extent (expressed as a percentage) the Performance Goals have been met on of before the date the Participant's employment with the Company terminates. The Committee shall make such determination no later than 15 days following the Participant's termination of employment. Any remaining unvested Restricted Stock shall be forfeited to the Company, without compensation.

(c) In the event Change in Control occurs during the "Term" (as defined in the Employment Agreement), the Restricted Stock shall fully vest at the time of the Change in Control.

(d) In the event a Material Capital Transaction occurs during the "Term" (as defined in the Employment Agreement), in connection with which the Company terminates the Participant's employment, provided that the Participant is willing to remain employed through the date on which a replacement Chief Executive Officer commences employment with the Company, the Restricted Stock shall vest in full as of the date of such termination.

(e) Notwithstanding anything to the contrary herein, the Participant shall forfeit to the Company, without compensation, all the shares of Restricted Stock which have not vested on or before June 30, 2014.

5. TAXES.

(a) Generally . The Participant agrees that, subject to Section 5(b) below, (i) no later than the date on which any Restricted Stock shall have become taxable to the Participant as compensation, the Participant will pay to the Company, or make arrangements satisfactory to the Company regarding payment of, any federal, state or local, domestic or foreign taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so taxable, and (ii) the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to any Restricted Stock which shall have become so taxable.

(b) Section 83(b) Election . If the Participant properly elects within thirty (30) days after the award of the Restricted Stock in accordance with Code Section 83(b) to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Restricted Stock, the Participant shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to such Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to such Restricted Stock. The Participant acknowledges that it is the Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Participant elects to utilize such election.

6. LEGENDS. All certificates representing the Shares shall have endorsed thereon any legend required to be placed thereon by applicable laws as well as the following legend:

> "The shares of common stock represented hereby are subject to terms and conditions (including forfeiture and restrictions on transfer) set forth in the employment agreement, as the same may be amended, restated modified or supplemented, between Avatar Holdings Inc. and the registered owner of the shares represented hereby (or such owner's predecessor in interest) which agreement is binding upon any and all owners of any interests in such shares. The shares of common stock represented hereby may be transferred only upon specific instructions from Avatar Holdings Inc."

7. POWER OF ATTORNEY. The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof. The Company's appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock and other RS Property, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for this purpose.

8. REGULATORY COMPLIANCE AND LISTING. The issuance or delivery of any stock certificates representing shares of Common Stock issuable pursuant to this Agreement may be postponed by the Committee for such period as may be required to comply with any applicable requirements under the federal or state securities laws, any applicable listing requirements of any national securities exchange or securities association, and any applicable requirements under any other law, rule or regulation applicable to the issuance or delivery of such shares, and the Company shall not be obligated to deliver any such shares of Common Stock to the Participant if delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange or securities association.

9. INVESTMENT REPRESENTATIONS AND RELATED MATTERS. The Participant hereby represents that the Common Stock issuable pursuant to this Agreement is being acquired for investment and not for sale or with a view to distribution thereof. The Participant acknowledges and agrees that any sale or distribution of shares of Common Stock issued pursuant to this Agreement may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (the " Securities Act "), which registration statement has become effective and is current with regard to the shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, prior to any such sale or distribution. The Participant hereby consents to such action as the Committee or the Company deems necessary or appropriate from time to time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing shares of Common Stock issued pursuant to this Agreement and delivering stop transfer instructions to the Company's stock transfer agent.

10. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement does not confer upon the Participant any right to continued employment by the Company or any of its subsidiaries or affiliated companies, nor shall it interfere in any way with the right of the Participant's employer to terminate the Participant's employment at any time for any reason or no reason.

11. CONSTRUCTION. The Plan and this Agreement will be construed by and administered under the supervision of the Committee, and all determinations of the Committee will be final and binding on the Participant.

12. NOTICES. Any notice required or permitted under this Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, (i) to the Participant at the last address specified in Participant's employment records, or such other address as the Participant may designate in writing to the Company, or (ii) to the Company, Avatar Holdings Inc., 201 Alhambra Circle, 12th Floor, Coral Gables, Florida 33134, Attention: Corporate Secretary, or such other address as the Company may designate in writing to the Participant.

13. FAILURE TO ENFORCE NOT A WAIVER. The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. GOVERNING LAW. This Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to the conflicts of laws provisions thereof.

15. INCORPORATION OF PLAN. The Plan is hereby incorporated by reference and made a part of this Agreement, and this Agreement shall be subject to the terms of the Plan, as the Plan may be amended from time to time.

16. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

17. MISCELLANEOUS. This Agreement cannot be modified or terminated orally. This Agreement, the Employment Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AVATAR HOLDINGS INC.

By: /s/ Patricia Kimball Fletcher

Name: Patricia Kimball Fletcher
Title: Executive Vice President, General Counsel and Secretary

/s/ Allen Anderson

Allen Anderson

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allen J. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avatar Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/s/ Allen J. Anderson
Allen J. Anderson
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. Rama, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avatar Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/s/ Michael P. Rama
Michael P. Rama
Controller, Principal Financial Officer and Principal
Accounting Officer

Exhibit 32.1

Certification Required by 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Allen J. Anderson, as President and Chief Executive Officer of Avatar Holdings Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Report on Form 10-Q of the Company for the quarter ended June 30, 2011 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2011

/s/ Allen J. Anderson
Allen J. Anderson
President and Chief Executive Officer

Exhibit 32.2

Certification Required by 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Michael P. Rama, as Controller, Principal Financial Officer and Principal Accounting Officer of Avatar Holdings Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Report on Form 10-Q of the Company for the quarter ended June 30, 2011 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2011

/s/ Michael P. Rama

Michael P. Rama
Controller, Principal Financial Officer and Principal
Accounting Officer