

AVATAR HOLDINGS INC

Form 10-Q

August 09, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended June 30, 2007

OR

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

Commission File Number 0-7616

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)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

Yes ☐ No ☒

8,296,523 shares of Avatar's common stock (\$1.00 par value) were outstanding as of July 31, 2007.

AVATAR HOLDINGS INC. AND SUBSIDIARIES
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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****AVATAR HOLDINGS INC. AND SUBSIDIARIES**Consolidated Balance Sheets
(Dollars in thousands)

	(Unaudited)	
	June 30	December
	2007	31
		2006
<u>Assets</u>		
Cash and cash equivalents	\$ 186,727	\$ 203,760
Restricted cash	4,063	3,637
Receivables, net	6,552	13,863
Land and other inventories	418,480	443,825
Property, plant and equipment, net	80,249	59,756
Investment in unconsolidated joint ventures	7,785	7,583
Prepaid expenses	10,813	10,066
Other assets	8,865	8,487
Deferred income taxes	1,611	95
 Total Assets	 \$ 725,145	 \$ 751,072
 <u>Liabilities and Stockholders' Equity</u>		
<u>Liabilities</u>		
Notes, mortgage notes and other debt:		
Corporate	\$ 119,800	\$ 120,000
Real estate	16,551	16,925
Estimated development liability for sold land	24,621	24,693
Accounts payable	7,142	22,053
Accrued and other liabilities	18,121	43,694
Customer deposits	11,008	18,351
 Total Liabilities	 197,243	 245,716
<u>Commitments and Contingencies</u>		
 <u>Stockholders' Equity</u>		
Common Stock, par value \$1 per share		
Authorized: 50,000,000 shares		
Issued: 10,828,346 shares at June 30, 2007		
10,725,559 shares at December 31, 2006	10,828	10,726
Additional paid-in capital	232,078	226,013
Retained earnings	360,020	343,641
	602,926	580,380
	(75,024)	(75,024)

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Treasury stock: at cost, 2,531,823 shares at June 30, 2007 and December 31, 2006

Total Stockholders' Equity	527,902	505,356
Total Liabilities and Stockholders' Equity	\$ 725,145	\$ 751,072

See notes to consolidated financial statements.

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AVATAR HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the six and three months ended June 30, 2007 and 2006
(Unaudited)
(Dollars in thousands except per-share amounts)

	Six Months		Three Months	
	2007	2006	2007	2006
<u>Revenues</u>				
Real estate revenues	\$ 168,528	\$ 323,182	\$ 78,435	\$ 168,876
Interest income	4,237	1,517	2,021	880
Other	935	1,204	799	933
Total revenues	173,700	325,903	81,255	170,689
<u>Expenses</u>				
Real estate expenses	135,722	234,434	66,471	119,372
General and administrative expenses	13,186	13,771	7,127	7,199
Total expenses	148,908	248,205	73,598	126,571
Equity earnings (loss) from unconsolidated joint ventures	41	1,720	(2)	90
Income before income taxes	24,833	79,418	7,655	44,208
Income tax expense	(8,454)	(27,599)	(2,384)	(17,025)
Net income	\$ 16,379	\$ 51,819	\$ 5,271	\$ 27,183
Basic Earnings Per Share	\$ 1.98	\$ 6.33	\$ 0.64	\$ 3.32
Diluted Earnings Per Share	\$ 1.63	\$ 5.01	\$ 0.55	\$ 2.62

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2007 and 2006

(Dollars in Thousands)

	2007	2006
OPERATING ACTIVITIES		
Net income	\$ 16,379	\$ 51,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,762	2,083
Amortization of stock-based compensation	2,431	5,318
Impairment of goodwill		654
Impairment of land and other inventories	2,000	
Distributions (return) of earnings from an unconsolidated joint venture	(55)	29,132
Equity earnings from unconsolidated joint ventures	(41)	(1,720)
Deferred income taxes	300	(4,423)
Excess income tax benefit from exercise of stock options and restricted stock units	(1,816)	(140)
Changes in operating assets and liabilities:		
Restricted cash	(426)	(1,755)
Receivables, net	7,311	2,904
Land and other inventories	13,300	(76,322)
Prepaid expenses	(747)	2,742
Other assets	(384)	(107)
Accounts payable and accrued and other liabilities	(30,697)	(10,968)
Customer deposits	(7,343)	2,328
Assets/liabilities of business transferred under contractual arrangements		8,776
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,974	10,321
INVESTING ACTIVITIES		
Investment in property, plant and equipment	(22,069)	(4,489)
Investment in unconsolidated joint ventures	(106)	(417)
Return of advances from promissory note		4,910
Distribution of capital from an unconsolidated joint venture		19,706
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(22,175)	19,710
FINANCING ACTIVITIES		
Principal payments of real estate borrowings	(374)	(5,682)
Proceeds from exercise of stock options	2,100	250
Excess income tax benefit from exercise of stock options and restricted stock units	1,816	140
Payment of withholding taxes related to restricted stock units withheld	(374)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,168	(5,292)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,033)	24,739
Cash and cash equivalents at beginning of period	203,760	38,479
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 186,727	\$ 63,218

**SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING
ACTIVITIES**

Conversion of 4.50% Notes into Equity	\$	200	\$
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See notes to consolidated financial statements.

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AVATAR HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2007

(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 joint ventures 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, 2007 and December 31, 2006, and the related consolidated statements of income for the six and three months ended June 30, 2007 and 2006 and the consolidated statements of cash flows for the six months ended June 30, 2007 and 2006 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 the consolidated financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the 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, 2006 was derived from audited consolidated financial statements included in our 2006 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, 2006 audited consolidated financial statements included in our 2006 Annual Report on Form 10-K and the notes to the consolidated financial statements included therein.

Reclassifications

Certain 2006 financial statement items have been reclassified to conform to the 2007 presentation. We reclassified from Land and other inventories to Property, plant and equipment, net on the accompanying Consolidated Balance Sheet as of December 31, 2006, capitalized costs of \$8,145 and \$4,579, respectively, related to (1) the Parkway (as defined below) and (2) additional amenities under construction, to conform with the presentation as of June 30, 2007. As a result of these reclassifications on the Consolidated Balance Sheet, \$3,753 of expenditures related to the Parkway and additional amenities were reclassified from Operating Activities to Investing Activities on the accompanying Consolidated Statement of Cash Flows for the six months ended June 30, 2006. These reclassifications had no impact on reported net income.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* , we carry long-lived assets at the lower of the carrying amount or fair value. We evaluate an asset for impairment when indicators of impairment are present. Impairment is evaluated by estimating the sum of future undiscounted cash flows against the carrying amount of the assets. If the sum of future undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recognized.

Table of Contents**Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited)**
continued**Impairment of Long-Lived Assets continued**

Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. During the first quarter of 2007, the continued deterioration of market conditions at a community in Florida in which we and other builders are selling homes and the increase of our speculative inventory at this community caused us to evaluate the carrying amount of the long-lived assets, consisting of homes completed and under construction, for impairment. Based on this evaluation, we recognized an impairment loss of \$2,000 on the carrying value of the inventory in this community. This impairment loss is included under the caption Real Estate Expenses in the consolidated statement of income for the six months ended June 30, 2007 and is included in the Primary Residential reportable segment in accordance with SFAS No. 131 *Disclosure about Segments of an Enterprise and Related Information* . We continue to evaluate the carrying value of our long-lived assets. During the second quarter of 2007, indicators of impairment were not present and no additional impairment losses have been recognized.

Land and Other Inventories

Inventories consist of the following:

	June 30, 2007 (Unaudited)	December 31, 2006
Land developed and in process of development	\$ 245,945	\$ 220,403
Land held for future development or sale	95,824	96,214
Homes completed or under construction	75,572	126,482
Other	1,139	726
	\$ 418,480	\$ 443,825

During the six and three months ended June 30, 2007, pre-tax profits from sales of commercial, industrial and other land were \$7,137 and \$2,379, respectively, on revenues of \$9,049 and \$3,489, respectively. During the six months ended June 30, 2007, pre-tax profits from sales of commercial and industrial land were \$6,910 on aggregate revenues of \$8,822. Pre-tax profits on sales of other land during the six months ended June 30, 2007 were \$227 on aggregate revenues of \$227. During the three months ended June 30, 2007, we realized pre-tax profits of \$2,176 on revenues of \$3,286 from sales of commercial and industrial land. Pre-tax profits on sales of other land during the three months ended June 30, 2007 were \$203 on aggregate revenues of \$203. During the six and three months ended June 30, 2006, pre-tax profits from sales of commercial, industrial and other land were \$28,189 and \$20,219, respectively, on revenues of \$38,946 and \$30,171, respectively. During the six months ended June 30, 2006, pre-tax profits on sales of commercial and industrial land were \$23,468 on aggregate sales of \$25,132. Pre-tax profits on sales of other land during the six months ended June 30, 2006 were \$394 on aggregate sales of \$629. During the three months ended June 30, 2006, we realized pre-tax profits of \$15,718 on revenues of \$16,641 from sales of commercial and industrial land. We also realized, during the three months ended June 30, 2006, pre-tax profits of \$4,327 from the collection of \$13,185 on a promissory note and accrued interest from the sale of our equity interest in the Regalia Joint Venture which was sold on June 30, 2005. Pre-tax profits on sales of other land were \$174 on aggregate sales of \$345.

See Financial Information Relating to Industry Segments below.

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

Property, Plant and Equipment, net

The increase in property, plant and equipment, net as of June 30, 2007 compared to December 31, 2006 is primarily due to capitalized expenditures incurred during the six months ended June 30, 2007 related to the Parkway (as defined below) and amenities under construction. See Commitments and Contingencies for additional information regarding the Parkway.

Goodwill and Indefinite-Lived Intangible Assets

During the first quarter of 2006, we performed an interim impairment test in accordance with SFAS No. 142 *Goodwill and Intangible Assets* on the goodwill associated with the Harbor Islands community because facts and circumstances indicated a potential impairment. Based on this impairment test, we determined that this goodwill was impaired as a result of the closing of the final housing unit in this community. Since the Harbor Islands community was completed during the first quarter of 2006, the associated goodwill of \$654 was written-off under the caption of Real Estate Expense in the consolidated statement of income for the six months ended June 30, 2006. There was no impairment of goodwill in 2007.

Notes, Mortgage Notes and Other Debt

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, unregistered offering, subsequent to which we filed, for the benefit of the 4.50% Notes holders, a shelf registration statement covering resales of the 4.50% Notes and the shares of our common stock issuable upon the conversion of the 4.50% Notes. 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. The closing price of Avatar's common stock exceeded 120% (\$63.156) of the conversion price for 20 trading days out of 30 consecutive trading days as of the last trading day of the fourth quarter of 2006, as of the last trading day of the first quarter of 2007 and as of the last trading day of the second quarter of 2007. Therefore, the 4.50% Notes became convertible for the quarter beginning January 1, 2007, for the quarter beginning April 1, 2007 and for the quarter beginning July 1, 2007. During 2007, \$200 principal amount of the 4.50% Notes have been converted into 3,800 shares of Avatar common stock.

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

Notes, Mortgage Notes and Other Debt continued

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. 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. In each case, we will pay a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

In September 2005, we entered into a Credit Agreement and a Guaranty Agreement for a \$100,000 (expandable up to \$175,000), four-year senior unsecured revolving credit facility (the "Unsecured Credit Facility"), by and among our wholly-owned subsidiary, Avatar Properties Inc. (as Borrower), Wachovia Bank, National Association (as Administrative Agent and Lender), and certain other financial institutions as lenders. Interest on borrowings under the Unsecured Credit Facility ranges from LIBOR plus 1.75% to 2.25%. Our borrowing rate under the Unsecured Credit Facility was 7.07% as of June 30, 2007.

The total amount of the Unsecured Credit Facility is \$125,000 (as amended); however, so long as no default or event of default has occurred and is continuing, increases may be requested, subject to lender approval, up to \$175,000. This Unsecured Credit Facility, as amended, includes a \$7,500 swing line commitment and has a \$50,000 sublimit for the issuance of standby letters of credit. The Unsecured Credit Facility contains customary representations, warranties and covenants limiting liens, guaranties, mergers and consolidations, substantial asset sales, investments and loans. In addition, the Unsecured Credit Facility contains covenants to the effect that we (i) will maintain a minimum consolidated tangible net worth (as defined in the Unsecured Credit Facility), (ii) shall maintain an adjusted EBITDA/debt service ratio (as defined in the Unsecured Credit Facility) of not less than 2.75 to 1.0, (iii) will not permit the leverage ratio (as defined in the Unsecured Credit Facility) to exceed 2.0 to 1.0, and (iv) the sum of the net book value of unentitled land, entitled land, land under development and finished lots shall not exceed 150% of consolidated tangible net worth. Borrowings under the Unsecured Credit Facility may be limited based on the amount of borrowing base available. We are in compliance with these covenants as of June 30, 2007. The Unsecured Credit Facility also contains a covenant whereby the sum of speculative homes and models cannot exceed 25% of the aggregate number of unit sales for the trailing twelve month period. As of December 31, 2006 and June 30, 2007, we exceeded this limitation. However, during the fourth quarter of 2006, we obtained a waiver of this requirement for the quarter ended December 31, 2006 and the entirety of 2007.

In the event of a default under the Unsecured Credit Facility, including defaults relating to other debt of Avatar in excess of \$1,000, the lenders may terminate the commitments under the Unsecured Credit Facility and declare the amounts outstanding, and all accrued interest, immediately due and payable.

The maturity date of the Unsecured Credit Facility is September 20, 2010. As of June 30, 2007, we had no borrowings outstanding under the Unsecured Credit Facility, had issued letters of credit totaling \$22,569 and had \$102,431 in availability for borrowing under the Unsecured Credit Facility, all of which we could have borrowed without violating any of our debt covenants.

Payments of all amounts due under the Unsecured Credit Facility are guaranteed by Avatar Holdings Inc. pursuant to the Restated Guaranty Agreement dated as of October 21, 2005.

We made interest payments of \$3,300 and \$3,717 for the six months ended June 30 2007 and 2006, respectively. Interest costs incurred and capitalized for the six months ended June 30, 2007 and 2006, respectively, were \$3,659 and \$3,944.

Table of Contents**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 potential 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, 2007 and 2006 changes in the warranty reserve consisted of the following (unaudited):

	Six Months		Three Months	
	2007	2006	2007	2006
Accrued warranty reserve, beginning of period	\$ 2,319	\$ 1,616	\$ 1,806	\$ 1,924
Estimated warranty expense	1,105	1,830	541	881
Amounts charged against warranty reserve	(1,775)	(1,572)	(698)	(931)
Accrued warranty reserve, end of period	\$ 1,649	\$ 1,874	\$ 1,649	\$ 1,874

Earnings Per Share

We present earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings 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 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.

The weighted average number of shares outstanding in calculating basic earnings per share includes the issuance of 102,787 and 27,972 shares of our common stock for the six and three months ended June 30, 2007, respectively, due to the exercise of stock options, restricted stock units, stock units and conversion of 4.50% Notes. The weighted average number of shares outstanding in calculating basic earnings per share includes the issuance of 14,273 and 4,273 shares of our common stock for the six and three months ended June 30, 2006, respectively, due to the exercise of stock options, restricted stock units and stock units.

The following table represents a reconciliation of the income from continuing operations, net income and weighted average shares outstanding for the calculation of basic and diluted earnings per share for the six and three months ended June 30, 2007 and 2006 (unaudited):

	Six Months		Three Months	
	2007	2006	2007	2006
Numerator:				
Basic earnings per share net income	\$ 16,379	\$ 51,819	\$ 5,271	\$ 27,183
Interest on 4.50% Notes, net of tax	1,629	1,633	813	816
Diluted earnings per share net income	\$ 18,008	\$ 53,452	\$ 6,084	\$ 27,999
Denominator:				
Basic weighted average shares outstanding	8,255,859	8,189,053	8,297,456	8,193,703
Effect of dilutive restricted stock units	472,641	153,516	471,383	163,941

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Effect of dilutive employee stock options	31,864	37,824	15,963	38,081
Effect of dilutive 4.50% Notes	2,278,041	2,280,068	2,276,268	2,280,068
Diluted weighted average shares outstanding	11,038,405	10,660,461	11,061,070	10,675,793

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

Repurchase and Exchange of Common Stock

During the six and three months ended June 30, 2007, we did not repurchase shares of our common stock and/or the 4.50% Notes under previous authorizations by the Board of Directors to make purchases from time to time, in the open market, through privately negotiated transactions or otherwise, depending on market and business conditions and other factors. As of June 30, 2007, the remaining authorization is \$15,829.

Comprehensive Income

Net income and comprehensive income are the same for the six and three months ended June 30, 2007 and 2006.

Share-Based Payments and Other Executive Compensation

The Amended and Restated 1997 Incentive and Capital Accumulation Plan (2005 Restatement), as amended, (the Incentive Plan) provides that stock options, including incentive stock options and non-qualified stock options; stock appreciation rights; stock awards; performance-conditioned stock awards (restricted stock units); and stock units may be granted to officers, employees and directors of Avatar. The exercise prices of stock options may not be less than the market value 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, 2007, an aggregate of 1,206,842 shares of our Common Stock, subject to certain adjustments, were reserved for issuance under the Incentive Plan, which represents an aggregate of 710,165 options and stock units granted and 496,677 shares available for grant, including stock awards that are potentially issuable under earnings participation award agreements with certain executive officers.

Compensation expense related to the stock option and restricted stock unit awards during the six months ended June 30, 2007 and 2006 was \$1,785 and \$1,565, respectively, of which \$143 and \$143, respectively, related to stock options and \$1,642 and \$1,422, respectively, related to restricted stock units. Compensation expense related to stock option and restricted stock unit awards during the three months ended June 30, 2007 and 2006 was \$907 and \$884, respectively, of which \$71 and \$72 related to stock options and \$836 and \$812, respectively, related to restricted stock units. During the six months ended June 30, 2007, we granted 23,020 restricted stock units which have a weighted average grant date fair value of \$80.96 per share. During the six months ended June 30, 2006, we granted 3,200 restricted stock units which have a weighted average grant date fair value of \$57.54 per share. No stock options were granted for the six months ended June 30, 2007 and 2006.

As of June 30, 2007, there was \$8,289 of unrecognized compensation expense related to unvested restricted stock units and unvested stock options, of which \$8,145 relates to restricted stock units and \$144 relates to stock options. That expense is expected to be recognized over a weighted-average period of 1.9 years.

During March 2003, we entered into earnings participation award agreements with certain executive officers providing for stock awards relating to achievement of performance goals. These agreements were amended and restated as of April 15, 2005 and further amended and restated as of December 26, 2006. As amended and restated, the stock award entitles the executives to receive a number of shares of our Common Stock having a fair market value (as defined) equal to a percentage of the excess of actual gross profit (as defined) from January 1, 2003 through December 31, 2007 over minimum levels established. Compensation expense related to the stock awards of

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

Share-Based Payments and Other Executive Compensation continued

\$571 and \$237 was recognized for the six and three months ended June 30, 2007, respectively, and \$3,676 and \$2,158 was recognized for the six and three months ended June 30, 2006, respectively. The income tax benefit recognized in the consolidated statements of income during the six and three months ended June 30, 2007 for these awards was \$217 and \$90, respectively. The income tax benefit recognized in the consolidated statements of income for the same periods in 2006 for these awards was \$1,397 and \$820, respectively.

Income Taxes

The exercise and issuance of restricted stock units and stock options for the six months ended June 30, 2007 generated additional income tax benefits of \$1,816 which is reflected as an increase to additional paid-in capital.

We made income tax payments of approximately \$22,750 and \$44,850 for the six months ended June 30, 2007 and 2006, respectively.

On January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Based on our evaluation of tax positions, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. Our evaluation was performed for the open tax years ended December 31, 2003, 2004, 2005 and 2006 which remain subject to examination and adjustment by major tax jurisdictions as of June 30, 2007. FIN 48 did not have an impact on our financial position and results of operations.

Any interest or penalties that have been assessed in the past have been minimal and immaterial to our financial results. In the event we are assessed any interest or penalties in the future, we plan to include them in our financial statements as income tax expense.

Investments in Unconsolidated Joint Ventures

The FASB issued Interpretation No. 46(R) (FIN 46(R)) (which further clarified and amended FIN 46, *Consolidation of Variable Interest Entities*), which requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity.

As of June 30, 2007, we own an equity interest in a joint venture formed for the acquisition and/or development of land in which we do not have a controlling interest. This entity meets the criteria of VIEs under FIN 46(R). We evaluated the impact of FIN 46(R) as it relates to this joint venture and determined that we are not the

Table of Contents**Notes to Consolidated Financial Statements (dollars in thousands except share and per share data) (Unaudited) continued****Investments in Unconsolidated Joint Ventures continued**

primary beneficiary since we are not the entity that will absorb a majority of the losses and/or receive a majority of the expected residual returns (profits). Therefore, this joint venture is recorded using the equity method of accounting. Our investment in this entity as of June 30, 2007 and December 31, 2006 is the amount invested of \$7,792 and \$7,686, respectively. This entity has assets consisting primarily of land and land development totaling approximately \$15,475 and \$15,313 as of June 30, 2007 and December 31, 2006, respectively.

In December 2002, our subsidiary, Avatar Ocean Palms, Inc., entered into a joint venture for the development of Ocean Palms (the Ocean Palms Joint Venture), a 38-story, 240-unit highrise condominium on a 3.5-acre oceanfront site in Hollywood, Florida. We are accounting for our investment in the Ocean Palms Joint Venture under the equity method of accounting. Closings of units commenced during February 2006 and were completed during the second quarter of 2006. Our capital account in the investment in the Ocean Palms Joint Venture as of June 30, 2007 and December 31, 2006 is a deficit of \$7 and \$103, respectively. The Ocean Palms Joint Venture has assets and liabilities of \$379 and \$280, respectively, as of June 30, 2007 and \$409 and \$402, respectively, as of December 31, 2006. Net income (loss) for the Ocean Palms Joint Venture was \$83 and \$2,992 for the six months ended June 30, 2007 and 2006, respectively, and (\$3) and \$245 for the three months ended June 30, 2007 and 2006, respectively. Our share of the net income (loss) from the Ocean Palms Joint Venture was \$41 and \$1,770 for the six months ended June 30, 2007, and 2006, respectively, and (\$1) and \$115 for the three months ended June 30, 2007 and 2006, respectively.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is January 1, 2008 for us, and interim periods within those fiscal years. We are currently evaluating the provisions of SFAS No. 157 and assessing the impact it may have on our financial position and results of operations.

In November 2006, the FASB issued Emerging Issues Task Force Issue No. 06-8, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums* (EITF 06-8). EITF 06-8 establishes that a company should evaluate the adequacy of the buyer's continuing investment in determining whether to recognize profit under the percentage-of-completion method. EITF 06-8 is effective for the first annual reporting period beginning after March 15, 2007, which is January 1, 2008 for us. The effect of EITF 06-8 is not expected to be material to our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for the first fiscal year that begins after November 15, 2007, which is January 1, 2008 for us. We have not yet determined what, if any, impact SFAS No. 159 may have on our financial position or results of operations.

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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.
Although RNATIONAL

GROUP, INC.

/s/ Win J. Neuger

Signature

Win J. Neuger

Executive Vice President and Chief

Investment Officer

(Name/Title)

**PHILIPPINE AMERICAN LIFE AND
GENERAL INSURANCE COMPANY**

/s/ Jose L. Cuisia Jr.

Signature

Jose L. Cuisia Jr.

President and CEO

(Name/Title)

AIG LIFE HOLDINGS

(INTERNATIONAL) LLC

/s/ Kathleen E. Shannon

Signature

Kathleen E. Shannon

President

(Name/Title)

AMERICAN INTERNATIONAL

REINSURANCE COMPANY, LTD.

/s/ Stephen George Cubbon

Signature

Stephen George Cubbon

President

(Name/Title)

**AMERICAN INTERNATIONAL
ASSURANCE COMPANY (BERMUDA)
LIMITED**

/s/ John Chu

Signature

John Chu
Executive Vice President and Chief
Information
Officer

(Name/Title)

**AIG GLOBAL INVESTMENT CORP.
(ASIA) LTD.**

/s/ Ada Tse

Signature

Ada Tse
Director

(Name/Title)

AIG ASIAN OPPORTUNITY G.P., L.L.C.

/s/ Ada Tse

Signature

Ada Tse
Director

(Name/Title)

AIG ASIAN OPPORTUNITY FUND LP

/s/ Ada Tse

Signature

Ada Tse
Director of General Partner

(Name/Title)

SCHEDULE A**DIRECTORS AND EXECUTIVE OFFICERS OF
AMERICAN INTERNATIONAL GROUP, INC.**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of American International Group, Inc. are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Stephen F. Bollenbach	c/o KB Home 10990 Wilshire Boulevard Los Angeles, CA 90024	Director of American International Group, Inc.; Non-Executive Chairman of KB Homes	American
Martin F. Feldstein	c/o National Bureau of Economic Affairs 1050 Massachusetts Avenue Cambridge, Massachusetts 02138	Director of American International Group, Inc.; President Emeritus of the National Bureau of Economic Research	American
Fred Horst Langhammer	c/o The Estee Lauder Companies, Inc. 767 Fifth Avenue New York, New York 10153	Director of American International Group, Inc.; Chairman of Global Affairs, The Estee Lauder Companies, Inc.	American and German
Edward M. Liddy	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Chairman and Chief Executive Officer of American International Group, Inc.	American
George L. Miles	c/o WQED Multimedia 4802 Fifth Avenue Pittsburgh, Pa. 15213	Director of American International Group, Inc.; President and Chief Executive Officers of WQED Multimedia	American
Suzanne M. Nora Johnson	c/o Pfizer Inc. 235 East 42nd Street New York, NY 10017	Director of American International Group, Inc.; Director of Pfizer Inc.	American
Morris W. Offit	c/o Offit Capital Advisors, LLC 485 Lexington Avenue New York, New York 10017	Director of American International Group, Inc.; Chairman, Office Capital Advisors, LLC	American
James F. Orr	c/o The Rockefeller Foundation 420 Fifth Avenue New York, New York 10018	Director of American International Group, Inc.; Chairman of the Board of Trustees, The Rockefeller Foundation	American
Virginia M. Rometty			American

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	c/o IBM Corporation Route 100 Somers, New York 10589	Director of American International Group, Inc.; Senior Vice President of IBM Global Business Services	
Michael H. Sutton	124 Swinley Forest Williamsburg, Virginia 23188	Director of American International Group, Inc.	American
Edmund S.W. Tse	c/o American International Assurance Company (Bermuda) Limited 35/F AIG Tower 1 Connaught Road Central Hong Kong	Senior Vice Chairman and Director of American International Group, Inc.; Vice President of American International Assurance Company (Bermuda) Limited	Chinese
Steven J. Bensinger	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Vice Chairman and Chief Financial Officer of American International Group, Inc.	American
Jacob A. Frenkel	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Vice Chairman of American International Group, Inc.	Israeli and Polish

SCHEDULE A (CONTINUED)

Name	Address	Position/Principal Occupation	Citizenship
Frank G. Wisner	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Vice Chairman of American International Group, Inc.	American
Rodney O. Martin, Jr.	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Executive Vice President of American International Group, Inc.	American
Kristian P. Moor	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Executive Vice President of American International Group, Inc.	American
Win J. Neuger	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Executive Vice President of American International Group, Inc.	American
Nicholas C. Walsh	c/o American International Group, Inc. 175 Water Street, 24th Floor New York, N.Y. 10038	Executive Vice President of American International Group, Inc.	British
Jay S. Wintrob	c/o AIG SunAmerica, Inc. 1 SunAmerica Center 1999 Avenue of the Stars Los Angeles, California 90067	Executive Vice President of American International Group, Inc.	American
Richard H. Booth	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.	American
William N. Dooley	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.	American
David L. Herzog	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.	American
Andrew J. Kaslow	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.	American
Robert E. Lewis	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.	American
Brian T. Scheiber			American

c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Senior Vice President of American International Group, Inc.
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**DIRECTORS AND EXECUTIVE OFFICERS OF
PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE COMPANY**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of Philippine American Life and General Insurance Company are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Edmund S. W. Tse	c/o American International Assurance Company (Bermuda) Limited 35/F AIG Tower 1 Connaught Road Central Hong Kong	Chairman of the Board of Philippine American Life and General Insurance Company; Vice President of American International Assurance Company (Bermuda) Limited	Chinese
Mark Andrew Wilson	c/o American International Assurance Company (Bermuda) Limited 35 th Flr., AIG Tower 1 Connaught Road, Central, Hong Kong	Director of Philippine American Life and General Insurance Company; Regional President, Asia Pacific, AIG Life Companies; President, American International Assurance Company, Limited	New Zealand

SCHEDULE A (CONTINUED)

Name	Address	Position/Principal Occupation	Citizenship
Jose L. Cuisia, Jr.	c/o Philippine American Life and General Insurance Company 23 rd Floor, Philamlife Tower 8767 Paseo de Roxas, Makati City Philippines	President, Chief Executive Officer and Director of Philippine American Life and General Insurance Company	Filipino
Michel Khalaf	c/o Philippine American Life and General Insurance Company 5 th Floor, Philamlife Building U.N. Ave., Ermita, Manila Philippines	Deputy President, Chief Operating Officer and Director of Philippine American Life and General Insurance Company	Lebanese
Reynaldo C. Centeno	c/o Philippine American Life and General Insurance Company 6 th Flr., Philamlife Building U.N. Ave., Ermita, Manila Philippines	Executive Vice President, Chief Financial Officer, Chief Actuary and Director of Philippine American Life and General Insurance Company	Filipino
Omar T. Cruz	c/o Philippine American Life and General Insurance Company 23 rd Flr., Philamlife Tower 8767 Paseo de Roxas, Makati City Philippines	Executive Vice President, Chief Investments Officer and Director of Philippine American Life and General Insurance Company	Filipino
Cesar A. Buenaventura	c/o Buenaventura, Echauz & Partners 4 th Flr., Shell House 156 Valero St., Salcedo Village, Makati City Philippines	Managing Partner of Buenaventura, Echauz & Partners; Director of Philippine American Life and General Insurance Company	Filipino
Ricardo J. Romulo	c/o Romulo, Mabanta, Buenaventura, Sayoc & Delos Angeles Law Offices 30 th Flr., Citibank Tower 8741 Paseo de Roxas, Makati City Philippines	Senior Partner at Romulo, Mabanta, Buenaventura, Sayoc & Delos Angeles Law Offices; Director of Philippine American Life and General Insurance Company	Filipino
Washington Z. Sycip	c/o SGV Group 14 th Flr., SGV Bldg I Ayala Avenue, Makati City Philippines	Director of Philippine American Life and General Insurance Company; Founder SGV Group	American
Francis G. Estrada	c/o Asian Institute of Management 2 nd Flr., Eugenio Lopez Building Joseph McKing Campus 123 Paseo de Roxas, Makati City	Director of Philippine American Life and General Insurance Company; President of Asian Institute of Management	Filipino

Philippines

Stephen J. Clark	c/o Philippine American Life and General Insurance Company 7 th Flr., Philamlife Salcedo Building 126 L. P. Leviste St., Salcedo Village Makati City Philippines	Senior Vice President of Philippine American Life and General Insurance Company (seconded to Philam Equitable Life Assurance Company, Inc.)	British
Romulo P. Cambaliza	c/o Philippine American Life and General Insurance Company 5 th Floor, Philamlife Building U.N. Ave., Ermita, Manila Philippines	Senior Vice President of Philippine American Life and General Insurance Company (seconded as President to Philam Insurance Agency and Call Center Services, Inc.)	Filipino
Ariel G. Cantos	c/o Philippine American Life and General Insurance Company 3 rd Flr., Philamlife Building U.N. Ave., Ermita, Manila Philippines	Senior Vice President and Chief Agency Officer of Philippine American Life and General Insurance Company	Filipino
Anthony B. Sotelo	c/o Philippine American Life and General Insurance Company 23 rd Flr., Philamlife Tower 8767 Paseo de Roxas, Makati City Philippines	Senior Vice President and Corporate Human Resources Director of Philippine American Life and General Insurance Company	Filipino
Jose Roel V. Teves	c/o Philippine American Life and General Insurance Company 2 nd Flr., Philamlife Bldg., U.N. Ave., Ermita, Manila Philippines	Senior Vice President for Insurance Operations of Philippine American Life and General Insurance Company	Filipino

SCHEDULE A (CONTINUED)

Name	Address	Position/Principal Occupation	Citizenship
Elizabeth Anne C. Uychaco	c/o Philippine American Life and General Insurance Company 3 rd Flr., Philamlife Building U.N. Ave., Ermita, Manila Philippines	Senior Vice President and Chief Marketing Officer of Philippine American Life and General Insurance Company	Filipino
Ma. Fe R. Velasco	c/o Philippine American Life and General Insurance Company 4 th Flr., Philamlife Building, U.N. Ave., Ermita, Manila Philippines	Senior Vice President for Finance of Philippine American Life and General Insurance Company	Filipino

**DIRECTORS AND EXECUTIVE OFFICERS OF
AIG LIFE HOLDINGS (INTERNATIONAL) LLC**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of AIG Life Holdings (International) LLC are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Kathleen E. Shannon	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	President	American
Elizabeth M. Tuck	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Secretary	American

**DIRECTORS AND EXECUTIVE OFFICERS OF
AMERICAN INTERNATIONAL REINSURANCE COMPANY, LTD.**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of American International Reinsurance Company, Ltd. are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Rodney O. Martin, Jr.	c/o American International Group, Inc. 70 Pine Street New York, New York 10270	Director and Chairman of the Board of American International Reinsurance Company, Ltd.; Executive Vice President of American International Group, Inc.	American
Stephen George Cubbon	c/o American International Reinsurance Company, Ltd. 29 Richmond Road, Permbroke HM 08, Bermuda	Director and President of American International Reinsurance Company, Ltd.	British
Lars Roland Bergquist	c/o American International Reinsurance Company, Ltd. 29 Richmond Road, Permbroke	Director and Vice President of American International Reinsurance Company, Ltd.	Swedish

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Christopher Swift	c/o American International Reinsurance Company, Ltd. 70 Pine Street 17th Floor New York, N.Y. 10270 USA	Director of American International Reinsurance Company, Ltd.	American
Richard W. Scott	c/o American International Reinsurance Company, Ltd. 70 Pine Street, 13th Floor New York, N.Y. 10270 USA	Director of American International Reinsurance Company, Ltd.	American

SCHEDULE A (CONTINUED)

Name	Address	Position/Principal Occupation	Citizenship
Nicholas C. Walsh	c/o American International Group, Inc. 175 Water Street, 24th Floor New York, N.Y. 10038 USA	Director of American International Reinsurance Company, Ltd.; Executive Vice President of American International Group, Inc.	British

**DIRECTORS AND EXECUTIVE OFFICERS OF
AMERICAN INTERNATIONAL ASSURANCE COMPANY (BERMUDA) LIMITED**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of American International Assurance Company (Bermuda) Limited are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Lars Roland Bergquist	c/o American International Assurance Company (Bermuda) Limited 29 Richmond Road, Permbroke HM 08, Bermuda	Director and Vice President of American International Assurance Company (Bermuda) Limited; Director and Vice President of American International Reinsurance Company, Ltd	Swedish
Stephen George Cubbon	c/o American International Assurance Company (Bermuda) Limited 29 Richmond Road, Permbroke HM 08, Bermuda	Director and Vice President of American International Assurance Company (Bermuda) Limited; President of American International Reinsurance Company, Ltd.	British
Edmund Sze-Wing Tse	c/o American International Assurance Company (Bermuda) Limited 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director and President of American International Assurance Company (Bermuda) Limited	Chinese
Gordon Timmins Watson	c/o American International Assurance Company (Bermuda) Limited 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director and Regional President (Japan and Korea) of American International Assurance Company (Bermuda) Limited	British
Mark Andrew Wilson	c/o American International Assurance Company (Bermuda) Limited 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of American International Assurance Company (Bermuda) Limited	New Zealand
Derek Kai Ming Yung	c/o American International Assurance Company (Bermuda) Limited	Director of American International Assurance Company (Bermuda) Limited	Chinese

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43/F., AIA Tower, 183 Electric
Road, North Point, Hong Kong

Tai-Wo John Chu	c/o American International Assurance Company (Bermuda) Limited 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Executive Vice President and Chief Investment Officer of American International Assurance Company (Bermuda) Limited	Chinese
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**DIRECTORS AND EXECUTIVE OFFICERS OF
AIG GLOBAL INVESTMENT CORP. (ASIA) LTD.**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of AIG Global Investment Corp. (Asia) Ltd. are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Edmund Sze-Wing Tse	c/o American International Assurance Company (Bermuda) Limited 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Global Investment Corp. (Asia) Ltd.; Director and President of American International Assurance Company (Bermuda) Limited	Chinese

SCHEDULE A (CONTINUED)

Name	Address	Position/Principal Occupation	Citizenship
Peter Kok-Beng Soo	c/o AIG Global Investment Corp. (Asia) Ltd. 16/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Global Investment Corp. (Asia) Ltd.	Chinese
Tai-Wo John Chu	c/o American International Assurance Company (Bermuda) 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Global Investment Corp. (Asia) Ltd.; Executive Vice President and Chief Investment Officer of American International Assurance Company (Bermuda) Limited	Chinese
Stephen George Cubbon	c/o American International Assurance Company (Bermuda) Limited 29 Richmond Road, Perm broke HM 08, Bermuda	Director of AIG Global Investment Corp. (Asia) Ltd.; Director and Vice President of American International Assurance Company (Bermuda) Limited	British
Ada Koon-Hang Tse	c/o AIG Global Investment Corp. (Asia) Ltd. 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director, President and Chief Executive Officer of AIG Global Investment Corp. (Asia) Ltd.	Chinese
Lars Roland Bergquist	c/o American International Assurance Company (Bermuda) Limited 29 Richmond Road, Perm broke HM 08, Bermuda	Director of AIG Global Investment Corp. (Asia) Ltd.; Director and Vice President of American International Assurance Company (Bermuda) Limited	Swedish
Eugenie Shen	c/o AIG Global Investment Corp. (Asia) Ltd. 16/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Global Investment Corp. (Asia) Ltd.; General Counsel of AIG Global Investment Corp. (Asia) Ltd.	American

**DIRECTORS AND EXECUTIVE OFFICERS OF
AIG ASIAN OPPORTUNITY G.P., L.L.C.**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of AIG Asian Opportunity G.P., L.L.C. are set forth below.

Name	Address	Position/Principal Occupation	Citizenship
Kevin Clowe	c/o AIG Investments 227 Park Avenue F42 New York, NY 10172, USA	Director of AIG Asian Opportunity G.P., L.L.C.; Managing Director of AIG Investments	American
Win Neuger	c/o AIG Investments 70 Pine Street, 16/F	Director of AIG Asian Opportunity G.P., L.L.C.; Chief Executive	American

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New York, NY 10270 USA

Officer and Chairman of AIG
Investments

Ada Koon-Hang Tse	c/o AIG Global Investment Corp. (Asia) Ltd. 35/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Asian Opportunity G.P., L.L.C.; President and Chief Executive Officer of AIG Global Investment Corp. (Asia) Ltd.	Chinese
David Yeung	c/o AIG Capital Partners, Inc. 20/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Asian Opportunity G.P., L.L.C.; President and Chief Executive Officer of AIG Capital Partners, Inc.	Canadian
Eugenie Shen	c/o AIG Global Investment Corp. (Asia) Ltd. 16/F., AIG Tower, One Connaught Road Central, Hong Kong	Director of AIG Asian Opportunity G.P., L.L.C.; General Counsel of AIG Global Investment Corp. (Asia) Ltd.	American

**DIRECTORS AND EXECUTIVE OFFICERS OF
AIG ASIAN OPPORTUNITY FUND, L.P.**

The name, business address, title, present principal occupation or employment of each of the directors and executive officers of AIG Asian Opportunity Fund LP are set forth below:

SCHEDULE A (CONTINUED)

The general partner of President & CEO of AIG Capital Partners, Inc. is AIG ASIAN OPPORTUNITY G.P., L.L.C.
c/o M&C Corporate Services Limited P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand
Cayman, Cayman