AVATAR HOLDINGS INC
Form 424B5
January 31, 2011

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The information contained in this Prospectus Supplement is not complete and may be changed. This Prospectus Supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
File No. 333-161498

Subject to Completion, dated January 31, 2011

PROSPECTUS SUPPLEMENT
(To Prospectus dated August 28, 2009)

$100,000,000

Avatar Holdings Inc.

% Senior Convertible Notes due 2016

This is an offering by Avatar Holdings Inc. of $100,000,000 aggregate principal amount of its % Senior Convertible Notes due 2016 (the Notes).

The Notes will be convertible, at your option, into shares of our common stock initially at a conversion rate of shares (equivalent to an initial conversion price of approximately $ per share), subject to adjustment as described in this prospectus supplement at any time on or prior to the close of business on the business day immediately preceding the maturity date.

In the event of certain types of fundamental changes, we will increase the conversion rate by a number of additional shares.

The Notes will bear interest at a rate of % per year, payable semi-annually in arrears in cash, on February 15 and August 15 of each year, commencing on August 15, 2011. The Notes will mature on February 15, 2016.

You may require us to repurchase all or a portion of your Notes upon a fundamental change or on February 15, 2014, in each circumstance at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest (including additional interest, if any). You may also require us to repurchase up to 50% of the aggregate principal amount of your Notes upon breach of certain financial covenants at a cash repurchase price equal to 110% of the principal amount plus accrued and unpaid interest (including additional interest, if any).

The Notes will be our senior unsecured obligations. As of September 30, 2010 we and our consolidated subsidiaries had approximately $64.8 million principal amount of unsecured notes outstanding and approximately $0.1 million of secured notes outstanding.

The Notes will not be listed on any securities exchange. Currently there is no public market for the Notes. Our common stock is listed on The Nasdaq Stock Market (Nasdaq) under the symbol AVTR. The last reported sale price of our common stock on January 28, 2011 was $20.20 per share.

Investing in the Notes involves significant risks. See Risk Factors beginning on page S-8 of this prospectus supplement and page 2 of the accompanying prospectus.

	Per Note	**Total**
Price to the public[(1)]	$	$
Underwriting discounts and commissions	$	$
Proceeds to the company (before expenses)	$	$

(1) Plus accrued interest, if any, from February , 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Barclays Capital expects to deliver the Notes on or about February , 2011.

Barclays Capital

Prospectus Supplement dated February , 2011

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is accompanied by a prospectus dated August 28, 2009. The accompanying prospectus is part of a Registration Statement on Form S-3 (Reg. No. 333-161498) that we filed with the Securities and Exchange Commission (the Commission) using a shelf registration process. Under this shelf registration process, we may, from time to time, offer and/or sell the securities referenced in the registration statement in one or more offerings. Each time our securities are offered, we provide a prospectus supplement and attach it to the accompanying prospectus. This prospectus supplement contains more specific information about the offering. This prospectus supplement may also add, update or change information contained in the accompanying prospectus. Any statement that we make in the accompanying prospectus is modified or superseded by any inconsistent statement made by us in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus together with the additional information described under the heading Incorporation of Certain Documents by Reference.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and those documents incorporated by reference herein or therein. We have not authorized anyone to provide you with information different from that contained in this prospectus supplement or the accompanying prospectus or information incorporated by reference herein or therein. This prospectus supplement may only be used where it is legal to sell these securities. This prospectus supplement is not an offer to sell, or a solicitation of an offer to buy, in any state where the offer or sale is prohibited. The information in this prospectus supplement, the accompanying prospectus, or any document incorporated by reference herein or therein is accurate as of the date of any such document. Neither the delivery of this prospectus supplement or the accompanying prospectus, nor any sale made under this prospectus supplement or the accompanying prospectus will, under any circumstances, imply that the information in this prospectus supplement or the accompanying prospectus is correct as of any date after the date of this prospectus supplement or the accompanying prospectus, respectively.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission allows us to incorporate by reference into this prospectus supplement the information we have filed with the Commission. This means that we can disclose important information by referring you to those documents. All documents that we subsequently file with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the termination of this offering, will be deemed to be incorporated by reference into this prospectus supplement and to be a part hereof from the date of filing of such documents. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed below or filed in the future, that are not deemed filed with the Commission, including information furnished pursuant to Item 2.02 or 7.01 of Form 8-K. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We incorporate by reference the following documents that we have filed with the Commission, and any filings that we will make with the Commission in the future, under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, until this offering is terminated:

Annual Report on Form 10-K for the fiscal year ended December 31, 2009;

Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010, June 30, 2010, and September 30, 2010;

Current Reports on Form 8-K filed with the Commission on May 24, 2010, June 4, 2010, August 30, 2010, October 25, 2010, October 28, 2010, November 16, 2010, January 4, 2011.

Definitive Proxy Statement on Schedule 14A, dated April 29, 2010, relating to our annual meeting of stockholders, which was held on June 3, 2010; and

Description of Avatar s Common Stock on Form 8-A filed October 15, 1980.

WHERE YOU CAN FIND MORE INFORMATION

The documents incorporated by reference into this prospectus supplement are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference in this prospectus supplement, without charge, upon written or oral request. If you would like to obtain this information from us, please direct your request, either in writing or by telephone, to:

Avatar Holdings Inc.
201 Alhambra Circle
Coral Gables, Florida 33134
(305) 442-7000
Attn: Corporate Secretary

Any statement made in this prospectus supplement or in documents incorporated by reference into this prospectus supplement, concerning the contents of any contract, agreement or other document is only a summary of the actual document. You may obtain a copy of any document summarized in this prospectus supplement or in documents incorporated by reference into this prospectus supplement, at no cost by writing to or telephoning us at the address and telephone number given above. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

We file reports, proxy statements and other information with the Commission. Copies of our reports, proxy statements and other information may be inspected and copied at the Commission s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Room of the Commission, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an internet site that contains reports, proxy and information statements and other information regarding us and other issuers that file electronically with the Commission. The address of the Commission internet site is *www.sec.gov*. This information is also available on our website at *www.avatarholdings.com*. Information contained on these websites is not incorporated by reference into and does not constitute a part of this prospectus supplement.

Reports, proxy statements and other information regarding us may also be inspected at:

The National Association of Securities Dealers
1735 K Street, N.W.
Washington, D.C. 20006

We filed a registration statement on Form S-3 (Reg. No. 333-161498) under the Securities Act of 1933, as amended (the Securities Act), with the Commission with respect to the securities to be sold hereunder. The accompanying prospectus has been filed as part of that registration statement. The registration statement is available for inspection and copying as set forth above.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference into these documents contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We use words such as anticipates, believes, plans, expects, future, intends, foresee and similar expressions to identify these forward-looking statements. In addition, from time to time we or our representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in various filings that we make with the Commission, or press releases or oral statements made by or with the approval of one of our authorized executive officers. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements.

Factors that might cause actual results to differ include, but are not limited to, 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 intention 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 as described below under Prospectus Summary Recent Developments, and other factors more fully described under the caption Risk Factors in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein or therein. Readers are cautioned not to place undue reliance on any forward-looking statements contained herein or therein, which reflect management s opinions only as of the date thereof.

Except as required by law, we undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements. You are advised, however, to consult any additional disclosures we make in our reports to the Commission on Forms 10-K, 10-Q and 8-K. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this prospectus supplement.

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PROSPECTUS SUMMARY

This summary description of us and our business highlights selected information about us contained elsewhere in this prospectus supplement or the accompanying prospectus or the documents incorporated by reference herein or therein. This summary may not contain all of the information about us that you should consider before buying securities in this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including each of the documents incorporated herein and therein by reference, before making an investment decision. As used herein, we, us and our refer to Avatar Holdings Inc. and its subsidiaries.

Our Company

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, the sale for third-party development of commercial and industrial land and the operation of a title insurance agency, 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.

Recent Developments

JEN Transaction

On October 25, 2010, we acquired from entities affiliated with JEN Partners LLC (JEN) a portfolio of real estate assets in Arizona and Florida (the JEN Transaction), including a 1,781-unit active adult community, various developed or fully developed lots, completed houses and houses under construction, a private home developer, various partially developed single-family and townhome lots, a multi-family tract and a commercial site. The aggregate purchase price paid by us in the JEN Transaction was approximately $65.6 million, comprised of $33.6 million in cash, $20.0 million in restricted common stock (which resulted in the issuance of 1,050,572 restricted shares) and $12.0 million of promissory notes. In addition, we agreed to pay JEN up to $8.0 million in common stock (up to 420,168 shares), depending upon the achievement of certain performance metrics related to the active adult community.

Changes in Management and Our Board of Directors

Jon M. Donnell was appointed our President and Chief Executive Officer, as well as a member of our Board, on November 15, 2010, upon the retirement of Gerald D. Kelfer as President and Chief Executive Officer. Mr. Kelfer continues as a member of and Vice Chairman of the Board.

Joseph Carl Mulac, III, was appointed our Executive Vice President and as President of our wholly-owned subsidiary, Avatar Properties, Inc on October 25, 2010. Mr. Mulac was previously the chief executive officer of a private home builder purchased by us in the JEN Transaction.

Reuben S. Leibowitz and Allen J. Anderson were appointed to our Board on October 25, 2010. Mr. Leibowitz is the sole managing member of JEN Partners and is also a limited partner of certain affiliates of JEN. Mr. Anderson is employed by an affiliate of JEN, is a non-managing member of JEN and controls an entity that is a limited partner of certain affiliates of JEN.

Our Corporate Information

We are incorporated under the laws of the State of Delaware. Our executive headquarters are located at 201 Alhambra Circle, Coral Gables, Florida 33134. Our telephone number is (305) 442-7000. Our website is *www.avatarholdings.com*. Information contained in our website is not incorporated by reference into and does not constitute part of this prospectus supplement or the accompanying prospectus.

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The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the Notes.

Issuer	Avatar Holdings Inc.
Securities Offered	$100 million aggregate principal amount of % Senior Convertible Notes due 2016, which we refer to as the Notes.
Offering Price	Each Note will be issued at a price of 100% of its principal amount plus accrued interest, if any, from , 2011.
Maturity	February 15, 2016, unless earlier converted, repurchased or redeemed.
Interest Rate	% per year. Interest will be payable semi-annually in arrears in cash on February 15 and August 15 of each year, beginning on August 15, 2011.
Ranking	The Notes will be our senior unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The Notes will be effectively subordinated to any secured indebtedness to the extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of our subsidiaries. As of September 30, 2010, we and our consolidated subsidiaries had approximately $64.8 million principal amount of unsecured notes outstanding and approximately $0.1 million of secured notes outstanding.
Conversion Rights	You may convert your Notes into shares of our common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The Notes will be convertible at an initial conversion rate of shares of common stock per $1,000 principal amount of the Notes (equivalent to an initial conversion price of approximately $ per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described under Description of the Notes Conversion Rights Conversion Rate Adjustments. Upon any conversion, subject to certain exceptions, you will not receive any cash payment

representing accrued and unpaid interest. See Description of the Notes Conversion Rights.

Adjustment to Conversion Rate Upon a Non-Stock Change of Control

If and only to the extent holders elect to convert the Notes in connection with a transaction described under certain clauses of the definition of fundamental change as described in Description of the Notes Repurchase Right of Holders Upon a Fundamental Change pursuant to which 10% or more of the consideration for our common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights) consists of cash or securities (or other property) that are not common equity interests traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange, which we refer to as a non-stock change of control, we will increase the conversion rate by a number of additional shares. The number of additional shares will be determined by reference to the table in Description of the Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control, based on the effective date and the price paid per share of our common stock in such non-stock change of control.

If holders of our common stock receive only cash in the type of transaction described above, the price paid per share will be the cash amount paid per share. Otherwise, the price paid per share will be the average of the last reported sale prices of our common stock on the five trading days prior to but not including the effective date of such non-stock change of control.

Certain Covenants

The indenture governing the Notes will, among other things, contain the following financial covenants, as described under Description of the Notes Certain Financial Covenants :

until February 15, 2014, we will maintain, at all times, cash and cash equivalents of not less than $20 million;

until the second anniversary of the original issuance date of the Notes, our total consolidated indebtedness (as indebtedness, is defined in the Notes) shall not exceed $150 million at any time excluding, for purposes of this clause, until April 5, 2011, our outstanding 4.50% convertible senior notes due 2024; and

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until the second anniversary of the original issuance date of the Notes, our total consolidated indebtedness (as indebtedness, is defined in the Notes) shall not exceed $50 million at any time, excluding for purposes of this clause: (a) the Notes, (b) any indebtedness with a maturity date after , 2014, which indebtedness does not provide the holder with a unilateral put right prior to , 2014 and (c) until April 5, 2011, our outstanding 4.50% convertible senior notes due 2024.

Repurchase Right of Holders Upon Breach of Certain Financial Covenants

If we breach any of the financial covenants described in Description of the Notes Certain Financial Covenants, you will have the right to require us to repurchase, at the repurchase price described below, up to 50% in aggregate principal amount of your Notes, for which you have properly delivered and not withdrawn a written repurchase notice.

The repurchase price will be payable in cash and will equal 110% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date. See Description of the Notes Repurchase Right of Holders Upon Breach of Certain Financial Covenants.

Repurchase Right of Holders on Specified Date

On February 15, 2014, you will have the right to require us to repurchase, at the repurchase price described below, all or part of your Notes for which you have properly delivered and not withdrawn a written repurchase notice.

The repurchase price will be payable in cash and will equal 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date. See Description of the Notes Repurchase Right of Holders on Specified Date.

Repurchase Right of Holders Upon a Fundamental Change

If a fundamental change, as described in Description of the Notes Repurchase Right of Holders Upon a Fundamental Change occurs at any time prior to the maturity of the Notes, you will have the right to require us to repurchase, at the repurchase price described below, all or part of your Notes for which you have properly delivered and not withdrawn a written repurchase notice.

The repurchase price will be payable in cash and will equal 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date.

See Description of the Notes Repurchase Right of Holders Upon a Fundamental Change.

Redemption at Our Option

We may, at any time on or after February 15, 2014, at our option, redeem for cash all or any portion of the outstanding Notes, but only if the last reported sale price of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date we provide 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 this prospectus supplement are met.

The redemption price will be payable in cash and will equal 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the redemption date. See Description of the Notes Redemption at Our Option.

Events of Default

If an event of default on the Notes occurs, the principal amount of the Notes (or the repurchase price or redemption price, as applicable), plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving Avatar or certain of its subsidiaries.

The breach of a financial covenant will not be deemed to constitute an event of default so long as we satisfy our obligations to provide timely notice of such breach and repurchase all Notes we are required to purchase. In the event we fail to satisfy our obligations, such failure will constitute an event of default. Following such event of default, 100% of the aggregate principal amount of the Notes will become due and payable at the repurchase price of 110% of the principal amount of the Notes.

Absence of Public Market for the Notes

The Notes will be a new issuance of securities and there is currently no established market for the Notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the

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	Notes. The underwriter has advised us that it currently intends to make a market in the Notes. However, it is not obligated to do so, and may discontinue any market making with respect to the Notes without notice. We do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.
Nasdaq Symbol for Our Common Stock	Our common stock is listed on Nasdaq under the symbol AVTR.
Use of Proceeds	We will receive approximately $ million from this offering after deducting the underwriter s fee and estimated offering expenditures. We expect to use the net proceeds for general corporate purposes, including, without limitation, the repayment of debt (including our 4.50% Convertible Senior Notes due 2024) and potential new acquisitions of real estate and real estate-related assets. From time to time, we engage in preliminary discussions and negotiations with various businesses in order to explore the possibility of an acquisition or investment. As of the date of this prospectus supplement, no acquisitions or investments are probable. See Use of Proceeds.
U.S. Federal Income Tax Considerations	For the U.S. federal income tax consequences of the holding, disposition and conversion of the Notes, and the holding and disposition of our common stock, see Certain United States Federal Income Tax Consequences.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the specific risks described below, the risks described in the accompanying prospectus and the risks under the caption Risk Factors in any of our filings with the Commission pursuant to Sections 13(a), 14 or 15(d) of the Exchange Act, which are incorporated herein and therein by reference, before making an investment decision. Each of the risks described could materially adversely affect our business, financial condition, results of operations and prospects, and could result in a complete loss of your investment. For more information, see Where You Can Find More Information and Incorporation of Certain Documents By Reference.

Risks Relating to the Notes and this Offering

Our debt will increase significantly as a result of this offering. Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

Our debt and debt service obligation will increase significantly as a result of this offering. As of September 30, 2010, as adjusted for this offering, we would have had approximately $164.9 million of outstanding unsecured and secured note obligations. See the As Adjusted column of the Capitalization table below. This level of debt could have significant consequences on our future operations, including, among others:

- making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

There are only limited restrictive covenants in the Notes indenture relating to our ability to incur future indebtedness or complete other financial transactions.

The indenture governing the Notes contains only limited financial restrictions on the incurrence of indebtedness, and no restrictions relating to the payment of dividends, transactions with affiliates, incurrence of liens, or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may in some circumstances, incur additional debt, including secured indebtedness effectively senior to the Notes, or indebtedness at the subsidiary level to which the Notes would be structurally subordinated. As part of our business strategy, we may use proceeds

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from this offering to finance potential acquisitions or develop communities, which may cause us to incur significant indebtedness.

A higher level of indebtedness increases the risk that we may default on our debt obligations. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. The indenture contains no covenants or other provisions to afford protection to holders of the Notes upon the occurrence of designated events other than a breach of certain covenants contained in the indenture governing the Notes or a fundamental change (as described under Repurchase Right of Holders Upon Breach of Certain Financial Covenants and Repurchase Rights of Holders Upon a Fundamental Change).

Provisions of the Notes could discourage a potential future acquisition of us by a third party.

Certain provisions of the Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Notes will have the right, at their option, to require us to repurchase all of their Notes or any portion of the principal amount of such Notes in integral multiples of $1,000. We also may be required to issue additional shares upon conversion or provide for conversion into the acquirer s capital stock in the event of certain fundamental changes.

We may be unable to generate sufficient cash flow to satisfy our debt service obligations.

Our ability to generate cash flow from operations to make interest payments on the Notes will depend on our future performance, which will be affected by a range of economic, competitive, legislative, regulatory and business factors. We cannot control many of these factors, including general economic conditions and the condition of the real estate industry. If our operations do not generate sufficient cash flow from operations to satisfy our debt service obligations or to fund other liquidity needs, we may need to borrow additional funds to make these payments or undertake alternative financing plans, such as refinancing or restructuring our debt, including the Notes, selling assets or reducing or delaying capital investments and acquisitions. Additional funds or alternative financing may not be available to us on favorable terms, or at all. Our inability to generate sufficient cash flow from operations or obtain additional funds or alternative financing on acceptable terms could cause us to be unable to meet our payment obligations, which could have a material adverse effect on our business, financial condition and results of operations.

The indenture governing the Notes contains financial maintenance and other covenant restrictions that may limit our ability to operate our business and creates a risk of default.

The indenture governing the Notes contains financial maintenance and other covenant restrictions, and any of our other future debt agreements may contain covenant restrictions, that limit our ability to operate our business and create a risk of default. The financial maintenance covenants in the indenture include financial maintenance covenants relating to our cash levels and our total consolidated indebtedness, as more fully described under Description of the Notes below. Our ability to comply with these covenants and tests is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. If we are not able to satisfy these financial covenants and you tender your Notes for repurchase, we may not have access to sufficient funds to repurchase your Notes which may result in an event of default under the terms of the indenture.

The Notes will be effectively subordinated to the liabilities of all of our subsidiaries, which may adversely affect your ability to receive payments on the Notes.

The Notes are obligations exclusively of Avatar and will not be guaranteed by any of our subsidiaries. We conduct a significant portion of our operations through our subsidiaries. Our subsidiaries are separate and distinct legal entities.

Our subsidiaries have no obligation to pay any

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amounts due on the Notes or, subject to existing or future contractual obligations between us and our subsidiaries, to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions and taxes on distributions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries earnings and other business considerations.

Our right to receive any assets of any of our subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including trade creditors. The Notes do not restrict us or our subsidiaries from incurring indebtedness, including senior secured indebtedness in the future, subject only to financial maintenance covenants relating to our cash levels and our total consolidated indebtedness (which such covenants will expire as described under Description of the Notes Certain Financial Covenants).

You will not receive cash payments of accrued but unpaid interest upon conversion of your Notes.

Upon conversion of your Notes into shares of common stock, we will deliver to the holder of Notes the full number of shares of common stock into which $1,000 principal amount of the Notes is convertible, together with cash payments for fractional shares, if any. Our obligation to pay accrued but unpaid interest attributable to the period from the most recent interest payment date through the conversion date will be deemed to be satisfied upon delivery of the shares and any accrued interest payable to you will be deemed to be paid in full, except as described under Description of the Notes Conversion Rights.

We may be unable to repay the principal amount of the Notes at maturity or repurchase the Notes for cash when required by the holders following a breach of certain financial covenants, upon the occurrence of a fundamental change, or on a specific repurchase date.

At maturity, the entire outstanding principal amount of the Notes will become due and payable by us. We cannot assure you that we will have sufficient funds or will be able to arrange for necessary financing on acceptable terms to pay the principal amount due. In that case, our failure to repay the Notes at maturity would constitute an event of default under the indenture.

Holders of the Notes also have the right to require us to repurchase the Notes upon a breach of certain financial covenants contained in the indenture governing the notes, upon the occurrence of a fundamental change, or on February 15, 2014. Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the Notes in cash may be limited by law or the terms of other agreements relating to our debt outstanding at the time, which will limit our ability to purchase the Notes for cash in certain circumstances. If we fail to repurchase the Notes in cash as required by the indenture, it would constitute an event of default under the indenture governing the Notes, which, in turn, would constitute an event of default under other debt.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the Notes.

Upon the occurrence of a fundamental change, you have the right to require us to offer to repurchase the Notes. However, the fundamental change provisions will not afford protection to holders of the Notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the Notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the Notes, even though each of these

transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the Notes.

The terms of the Notes only provide limited protection in the event of a fundamental change.

The requirement that we offer to repurchase the Notes upon a fundamental change is limited to the transactions specified in the definition of a fundamental change under Description of the Notes Repurchase Right of Holders Upon a Fundamental Change . Similarly, the circumstances under which we are required to adjust the conversion rate upon the occurrence of a non-stock change of control are limited to circumstances where a Note is converted in connection with such a transaction as set forth under Description of the Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control. Accordingly, subject to restrictions contained in our other debt agreements, we could enter into certain transactions, such as acquisitions, refinancings or recapitalizations, that could affect our capital structure and the value of the Notes and common stock but would not constitute a fundamental change under the Notes.

We cannot assure you that our obligation to repurchase, in certain circumstances, all or a portion of the Notes at a repurchase price of 110% of the aggregate principal amount will be judicially enforceable.

The Notes provide that if we breach any of the financial covenants, you will have the right to require us to repurchase up to 50% of the aggregate principal amount of the Notes at 110% of the aggregate principal amount. Any failure by us to repurchase such Notes will constitute an event of default, following which 100% of the aggregate principal amount of the Notes shall become due and payable at the repurchase price of 110% of the principal amount of the Notes. We cannot assure you that a court would not find that the premium paid by us under these circumstances was punitive in nature and, therefore, that such terms were unenforceable.

The adjustment to the conversion rate upon the occurrence of certain types of fundamental changes may not adequately compensate you for the lost option time value of your Notes as a result of such fundamental change.

If certain types of fundamental changes occur on or prior to the date when the Notes may be redeemed, we may adjust the conversion rate of the Notes to increase the number of shares issuable upon conversion. The number of additional shares to be added to the conversion rate will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our common stock in the fundamental change as described under Description of the Notes Conversion Rights Adjustment to Conversion Price Upon Certain Fundamental Changes. Although this adjustment is designed to compensate you for the lost option value of your Notes as a result of certain types of fundamental changes, the adjustment is only an approximation of such lost value based upon assumptions made on the date of this Prospectus Supplement and may not adequately compensate you for such loss. In addition, if the price paid per share of our common stock in the fundamental change is less than $ or more than $ (subject to adjustment), there will be no such adjustment.

Because your right to require us to repurchase the Notes is limited, the market prices of the Notes may decline if we enter into a transaction that does not require us to repurchase the Notes under the indenture.

The circumstances upon which we are required to repurchase the Notes are limited and may not include every event that might cause the market prices of the Notes to decline or result in a downgrade of the credit rating of the Notes, if any. As a result, our obligations to repurchase the Notes in certain circumstances may not preserve the value of the Notes in the event of a highly leveraged transaction, reorganization, merger or similar transaction.

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There is no established trading market for the Notes, which could materially and adversely affect the liquidity and value of your Notes.

The Notes are a new issue of securities, and there is no existing market for the Notes. We do not intend to apply for listing of the Notes on any securities exchange or for quotation of the Notes on any automated dealer quotation system. We have been advised by the underwriter that following the completion of the offering, it currently intends to make a market in the Notes. However, it is not obligated to do so and any market-making activities with respect to the Notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. A market may not develop for the Notes, and there can be no assurance as to the liquidity of any market that may develop for the Notes. If an active, liquid market does not develop for the Notes, the market price and liquidity of the Notes may be adversely affected. If any of the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the Notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the Notes will be subject to disruptions which may have a negative effect on the holders of the Notes, regardless of our operating results, financial performance or prospects.

Any adverse rating of the Notes may cause their trading price to fall.

We do not intend to seek a rating on the Notes. However, if a rating service were to rate the Notes and if such rating service were to withdraw its rating or lower its rating on the Notes below the rating initially assigned to the Notes or otherwise announces its intention to put the Notes on credit watch, the trading price of the Notes could decline.

Developments in the convertible debt markets may adversely affect the market value of the Notes.

During the last several years, the convertible debt markets have experienced unprecedented disruptions resulting from, among other things, the recent instability in the credit and capital markets and the emergency orders issued by the SEC on September 17 and 18, 2008 (and extended on October 1, 2008). These orders were issued as a stop-gap measure while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. Among other things, these orders temporarily imposed a prohibition on effecting short sales of the common stock of certain financial companies. As a result, the SEC orders made the convertible arbitrage strategy that many convertible notes investors employ difficult to execute for outstanding convertible notes of those companies whose common stock was subject to the short sale prohibition. The SEC orders expired on October 8, 2008. However, any future governmental actions that impose limitations on short sales of common stock of issuers, including consideration by the SEC to reinstate the up-tick rule, could significantly affect the market value of convertible securities linked to those common stocks.

The price of our common stock, and therefore of the Notes, may fluctuate significantly, which may make it difficult for you to resell the Notes or common stock issuable upon conversion of the Notes when you want or at prices you find attractive.

The price of our common stock on The Nasdaq Stock Market constantly changes. We expect that the market price of our common stock will continue to fluctuate. In addition, because the Notes are convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the Notes.

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Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in general conditions in our industry and in the economy and the financial markets; and
- departures of key personnel.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may materially and adversely affect our stock price, regardless of our operating results.

Future sales of our common stock in the public market or the issuance of securities senior to our common stock could materially and adversely affect the trading price of our common stock, the value of the Notes and our ability to raise funds in new offerings.

In the future, we may sell additional shares of our common stock to raise capital or in connection with acquisitions, such as the JEN Transaction described above under Prospectus Summary Recent Developments. Sales of substantial amounts of additional shares of our common stock, including shares of our common stock underlying the Notes and shares issuable upon exercise of outstanding options, restricted stock units, and stock units, as well as sales of shares that may be issued in connection with future acquisitions or for other purposes, including to finance our operations and business strategy or to adjust our ratio of debt to equity, or the perception that such sales could occur, may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. The price of our common stock could also be affected by possible sales of our common stock by investors who view the Notes being offered in this offering as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect will develop involving our common stock.

Future sales of common stock by our existing stockholders may cause our stock price to decline significantly.

The market price of our common stock could decline as a result of sales by our existing and future stockholders, including the holders of the Notes and our 4.50% Convertible Senior Notes due 2024 (our 4.50% Notes), or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

Our share price could decline if a large number of shares of our common stock or equity-related securities become eligible for future sale.

Sales of a substantial number of shares of our common stock or other equity-related securities, as well as issuances of shares of common stock upon conversion of the Notes as well as our 4.50% Notes, could depress the market price of our common stock and impair our ability to raise

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capital through the sale of additional equity securities. Any such future sales or issuances could dilute the ownership interests of stockholders, and we cannot predict the effect that future sales or issuances of our common stock or other equity-related securities would have on the market price of our common stock nor can we predict our future needs to fund our operations or balance sheet with future equity issuances.

The significant number of shares of our common stock issuable upon conversion of the Notes and our existing convertible securities could adversely affect the trading prices of our common stock and, as a result, the value of the Notes.

The Notes being offered hereby will be convertible into approximately shares subject to adjustment. In addition, upon certain types of fundamental change, we may be required to deliver significantly more shares of our common stock upon conversion of the Notes. Conversion of our outstanding convertible securities and/or the Notes and the sale in the market of stock issued upon conversion or the perception that those other securities and notes will be converted could depress the market price of our common stock and, as a result, the value of the Notes. In addition, the price of our common stock could be adversely affected by possible sales, including short sales, of our common stock by investors in our notes and other securities who engage in hedging and arbitrage activities.

Holders of the Notes are not entitled to any rights with respect to our common stock, but are subject to all changes made with respect to our common stock.

If you hold Notes, you are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you are subject to all changes to our common stock that might be adopted by the holders of our common stock to curtail or eliminate any of the powers, preferences or special rights of our common stock, or impose new restrictions or qualifications upon our common stock. You will only be entitled to rights with respect to the common stock as of the conversion date for any converted Notes. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the conversion date for any converted Notes, you will not be entitled to vote on the amendment, though you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

The conversion rate of the Notes will not be adjusted for all potentially dilutive events that may adversely affect the trading price of the Notes or the common stock issuable upon conversion of the Notes.

The conversion rate of the Notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock; the issuance of rights or warrants; subdivisions; combinations; distributions of capital stock, indebtedness or assets; cash dividends and certain issuer tender or exchange offers as described under Description of the Notes Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for other events, such as a third party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the Notes or the common stock. Additionally, except in certain cases, the conversion rate may not be increased above a specified maximum. There can be no assurance that an event that adversely affects the value of the Notes, but does not result in an adjustment to the conversion rate, will not occur.

Because we have broad discretion in how we use the proceeds from this offering, we may use the proceeds in ways in which you disagree.

We intend to use the net proceeds for general corporate purposes, including, without limitation, the repayment of debt (including our 4.50% Notes) and potential new acquisitions of real estate and real estate-related assets. See Use of Proceeds. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering.

You will be relying on the judgment of

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our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. Furthermore, it is possible that the net proceeds of this offering will be invested in a way that does not yield a favorable, or any, return for our company. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results, cash flow and the value of your Notes.

Notes could be treated as contingent payment debt instruments.

A U.S. holder would be required to accrue interest income on a constant yield basis at an assumed yield in excess of the stated interest rate on the Notes, with adjustments to such accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield, regardless of the holder s method of tax accounting, and gains on disposition of the Notes could be subject to ordinary income treatment if the IRS successfully challenges certain positions we are taking. See Certain United States Federal Income Tax Consequences U.S. Holders Premium in connection with repurchases triggered by breach of certain financial covenants.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the Notes, even though you do not receive a corresponding cash distribution.

The conversion rate of the Notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a designated event occurs prior to the maturity date of the Notes, under some circumstances, we will increase the conversion rate for Notes converted in connection with the designated event. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. If you are a non-U.S. holder (as defined in Certain United States Federal Income Tax Consequences), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty. Any withholding tax on such a deemed dividend may be withheld from interest, shares of common stock or sales proceeds subsequently paid or credited to you.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table contains our consolidated ratio of earnings to fixed charges for the periods indicated. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements, incorporated by reference in this prospectus supplement.

	For the Nine Months Ended September 30,	For the Year Ended December 31,				
	2010	2009	2008	2007	2006	2005
Ratio of earnings to fixed charges	N/A(1)	N/A(1)	N/A(1)	3.6	23.3	6.0

(1) Our earnings were insufficient to cover fixed charges by $25.7 million, $59.7 million, and $135.1 million for the nine months ended September 30, 2010, and for the fiscal years ended December 31, 2009 and December 31, 2008, respectively.

USE OF PROCEEDS

We will receive approximately $ million from this offering after deducting the underwriter s fee and estimated offering expenditures. We expect to use the net proceeds for general corporate purposes, including, without limitation, the repayment of debt (including our 4.50% Notes) and potential new acquisitions of real estate and real estate-related assets. From time to time, we engage in preliminary discussions and negotiations with various businesses in order to explore the possibility of an acquisition or investment. As of the date of this prospectus supplement, no acquisitions or investments are probable.

As of January 28, 2011, there was approximately $64.8 principal amount outstanding of our 4.50% Notes. We may, at our option, redeem for cash all or a portion of our 4.50% Notes at any time on or after April 5, 2011. Holders may require us to repurchase our 4.50% Notes for cash on April 1, 2011, April 1, 2014 and April 1, 2019.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2010 (1) on an actual basis and (2) as adjusted to give effect to this offering, after deducting the underwriter s fees and our estimated offering expenditures. You should read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q and our unaudited financial statements and related notes for the nine month period ended September 30, 2010 included therein.

	September 30, 2010			
		Historical (unaudited)		As Adjusted
	(In thousands, except par value and share information)			
Cash and cash equivalents	$	148,149[(1)]	$	
Notes, mortgage notes and other debt:				
4.50% Senior Convertible Notes [(2)]		64,087		64,087
% Senior Convertible Notes [(3)]		-		100,000
Real estate, other		111		111
Total Debt[(4)]	**$**	**64,198**	**$**	**164,198**
Stockholders Equity				
Common Stock, par value $1 per share				
Authorized: 50,000,000 shares				
Issued: 14,019,792 shares at September 30, 2010 [(5)]		14,020		14,020
Additional paid-in capital		286,852		286,852
Retained earnings		197,530		197,530
		498,402		498,402
Treasury stock: at cost, 2,658,461 shares at September 30, 2010		(78,937)		(78,937)
Total Avatar stockholders equity		419,465		419,465
Non-controlling interest		601		601
Total Equity		**420,066**		**420,066**
Total Capitalization	**$**	**484,264**	**$**	**584,264**

(1) Cash and cash equivalents at September 30, 2010 does not reflect $33.6 million in cash paid in the JEN Transaction on October 25, 2010, as described in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

(2) In accordance with the adoption of FASB Staff Position (FSP) 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (FSP 14-1) we were required to separately account for the liability (debt) and equity (conversion option) components. As of September 30, 2010, the principal amount outstanding is $64,804.

(3) Excludes reduction for equity (conversion option) component which will be classified as equity in accordance with FSP 14-1.

(4) Total debt at September 30, 2010 does not include $12.0 million in notes incurred in connection with the JEN Transaction on October 25, 2010, as described in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

(5) Excludes (i) 110,000 shares of common stock issuable under outstanding stock options at September 30, 2010, (ii) 15,335 shares issuable under restricted stock unit awards, and (iii) 16,751 stock units, which were outstanding at September 30, 2010. Also excludes (i) 1,050,572 shares of restricted stock issued in connection with the JEN Transaction, as described in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, (ii) up to 420,168 shares of common stock that may be issued to JEN in the future, and (iii) an aggregate of 490,000 shares of restricted common stock issued to Messrs. Donnell and Mulac upon their appointments in November and October, respectively, as described above under Prospectus Summary Recent Developments. An additional 494,930 shares of common stock are reserved for issuance under our equity compensation plans as of September 30, 2010 (which were subsequently reduced by the 490,000 restricted shares issued in connection with the appointments of Messrs. Donnell and Mulac).

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DESCRIPTION OF THE NOTES

This description of the terms of the Notes adds information to the description of the general terms and provisions of the debt securities in the accompanying prospectus. If this description differs in any way from the description in the accompanying prospectus, you should rely on the description in this prospectus supplement. This description is only a summary of certain terms of the indenture and supplemental indenture referred to below, and does not purport to be complete. Those documents, and not the descriptions, will define the rights of the holders of the Notes. Whenever particular defined terms of the indenture and supplemental indenture are referred to herein, such defined terms are incorporated by reference herein.

The Notes will constitute a separate series of debt securities to be issued under a supplemental indenture (the supplemental indenture) between Avatar Holdings Inc., as issuer, and Wilmington Trust FSB, as trustee, and the original indenture between the issuer and the trustee dated as of , 2011 (the base indenture and together with the supplemental indenture, the indenture). The terms of the Notes include those provided in the indenture.

The following description is only a summary of the material provisions of the Notes and the indenture. We urge you to read the indenture in its entirety because it, and not this description, define your rights as a holder of the Notes. You may request copies of the indenture as set forth under the caption Where You Can Find More Information.

When we refer to Avatar Holdings Inc., Avatar, we, our or us in this section, we refer only to Avatar Holdings I and not its subsidiaries.

Brief Description of the Notes

The Notes will:

- be limited to $100.0 million aggregate principal amount;
- bear interest at a rate of % per year, payable semi-annually in arrears, on February 15 and August 15 of each year, commencing on August 15, 2011;
- be general unsecured obligations, ranking equally with all of our other unsecured senior indebtedness and senior in right of payment to any subordinated indebtedness;
- include certain financial covenants relating to our cash levels and our total consolidated indebtedness, which covenants expire on the second anniversary of the original issuance date of the Notes (or, in the case of the cash level covenant, on February 15, 2014);
- be convertible by you at any time on or prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date, into shares of our common stock initially at a conversion rate of shares of our common stock per $1,000 principal amount of Notes, which represents an initial conversion price of approximately $ per share. In the event of certain types of fundamental changes, we will increase the conversion rate as described herein;
- be subject to repurchase by us at your option if a fundamental change occurs, at a cash repurchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) to, but not including, the repurchase date, as set forth under Repurchase Right of Holder

Upon a Fundamental Change ; and

be subject, up to 50% in aggregate principal amount of such Notes, to repurchase by us at your option if we breach certain financial covenants, at a cash repurchase price equal to 110% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) to, but not including, the repurchase date, as set forth under Repurchase Right of Holder Upon Breach of Certain Financial Covenants ;

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be subject to repurchase by us at your option on February 15, 2014, at a cash repurchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) to, but not including, the repurchase date, as set forth under Repurchase Right of Holder on Specified Date ;

be redeemable at our option at any time on or after February 15, 2014, subject to certain conditions; and

be due on February 15, 2016, unless earlier converted or repurchased by us at your option.

The indenture governing the Notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, transactions with affiliates, incurrence of liens, the issuance or repurchase of securities by us or any of our subsidiaries and other restrictive covenants that would protect you from transactions and actions that may adversely affect you, other than financial maintenance covenants relating to our cash levels and our total consolidated indebtedness, which covenants expire on the second anniversary of the original issuance date of the Notes (or, in the case of the cash level covenant, on February 15, 2014). You are not afforded protection under the indenture in the event of a change in control of us, except to the extent described below under Conversion Rights and Repurchase Right of Holders Upon a Fundamental Change. The indenture contains only limited financial covenants applicable to our ability to incur debt, see Certain Financial Covenants.

No sinking fund is provided for the Notes, and the Notes will not be subject to defeasance.

The Notes initially will be issued in book-entry form only in denominations of $1,000 principal amount and whole multiples thereof. Beneficial interests in the Notes will be shown on, and transfers of beneficial interests in the Notes will be effected only through, records maintained by The Depository Trust Company, or DTC, or its nominee, and any such interests may not be exchanged for certificated Notes except in limited circumstances. For information regarding conversion, registration of transfer and exchange of global Notes held in DTC, see Form, Denomination and Registration Global Notes, Book-Entry Form.

If certificated Notes are issued, you may present them for conversion, registration of transfer and exchange, without service charge, at our office or agency in , which will initially be the office or agency of the trustee in .

Additional Notes

We may, without the consent of the holders of the Notes, increase the principal amount of the Notes by issuing additional Notes in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional Notes; provided that such differences do not cause the additional Notes to constitute a different class of securities than the Notes for U.S. federal income tax purposes; and provided further, that the additional Notes have the same CUSIP number as the Notes offered hereby. The Notes offered by this Prospectus Supplement and any additional Notes would rank equally and ratably and would be treated as a single class for all purposes under the indenture. No additional Notes may be issued if any event of default has occurred with respect to the Notes and is continuing.

Payment at Maturity

On the maturity date, each holder will be entitled to receive on such date $1,000 in cash for each $1,000 in principal amount of Notes, together with accrued and unpaid interest (including additional interest, if any) to, but not including, the maturity date. With respect to global Notes, principal, premium, if any, and interest (including additional interest, if any) will be paid to DTC in immediately available funds. With respect to any certificated Notes, principal and interest (including

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additional interest, if any) will be payable at our office or agency in , which initially will be the office or agency of the trustee in .

Interest

The Notes will bear interest at a rate of % per year. Interest will accrue from the date of original issuance of the Notes or from the most recent date to which interest has been paid or duly provided for. We will pay interest (including additional interest, if any) semi-annually, in arrears on February 15 and August 15 of each year, commencing on August 15, 2011, to holders of record at 5:00 p.m., New York City time, on the preceding February 1 and August 1, respectively. However, there are two exceptions to the preceding sentence:

- we will not pay in cash accrued and unpaid interest (excluding any additional interest) on any Notes when they are converted, except as described under Conversion Rights ; and

- we will pay accrued and unpaid interest (including additional interest, if any) to a person other than the holder of record on the record date immediately prior to the maturity date on the maturity date. On such date, we will pay accrued and unpaid interest to the person to whom we pay the principal amount.

We will pay interest on:

- global Notes to DTC in immediately available funds;

- any certificated Notes having a principal amount of less than $2,000,000, by check mailed to the holders of those Notes; provided, however, at maturity, interest will be payable as described under Payment at Maturity ; and

- any certificated Notes having a principal amount of $2,000,000 or more, by wire transfer in immediately available funds at the election of the holders of these Notes duly delivered to the trustee at least five business days prior to the relevant interest payment date; provided, however, at maturity, interest will be payable as described under Payment at Maturity.

Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. If a payment date is not a business day, payment will be made on the next succeeding business day, and no additional interest will accrue thereon.

To the extent lawful, payments of principal or interest (including additional interest, if any) on the Notes that are not made when due will accrue interest at the annual rate of 1% above the then applicable interest rate from the required payment date.

Conversion Rights

Holders may convert their Notes at any time prior to 5:00 p.m., New York City time, on the business day preceding the maturity date at an initial conversion rate of shares of common stock per $1,000 principal amount of the Notes (equivalent to an initial conversion price of approximately $ per share). The conversion rate will be subject to adjustment as described below. Unless we have previously repurchased or redeemed the Notes, you will have the right to convert any portion of the principal amount of any Notes that is an integral multiple of $1,000 at any time on or prior to the close of business on the business day immediately preceding the maturity date.

Except as provided in the next paragraph, upon conversion, you will not receive any separate cash payment of accrued and unpaid interest (excluding any additional interest) on the Notes. Accrued and unpaid interest (excluding any additional interest) and accrued tax original issue discount, if any, to the conversion date is deemed to be paid in full with the shares of our common stock issued (or cash paid on account of fractional shares) upon conversion rather than cancelled, extinguished or forfeited.

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If you convert your Notes after the record date for an interest payment but prior to the corresponding interest payments date, you will receive on the corresponding interest payment date the interest (including additional interest, if any) accrued and unpaid on your Notes, notwithstanding your conversion of those Notes prior to the interest payment date, assuming you were the holder of record on the corresponding record date. However, except as provided in the next sentence, at the time you surrender your Notes for conversion, you must pay us an amount equal to the interest (excluding any additional interest) that has accrued and will be paid on the Notes being converted on the corresponding interest payment date. You are not required to make such payment:

- if you convert your Notes following the regular record date immediately preceding the maturity date;
- if you convert your Notes in connection with a fundamental change and we have specified a fundamental change repurchase date that is after a record date and on or prior to the corresponding interest payment date;
- on any Notes called for redemption, if we have specified a redemption date that is after a record date and on or prior to the corresponding interest payment date; or
- to the extent of any overdue interest (including overdue additional interest, if any), if overdue interest (or overdue additional interest) exists at the time of conversion with respect to your Notes.

Except as described under Conversion Rate Adjustments, we will not make any payment or other adjustment for dividends on any common stock issued upon conversion of the Notes.

Conversion Upon Notice of Redemption

If we call any of the Notes for redemption, holders may convert such Notes called for redemption at any time prior to the close of business on the business day immediately preceding the redemption date.

Conversion Procedures

If you hold a beneficial interest in a global Note, to convert you must deliver to DTC the appropriate instruction form for conversion pursuant to DTC s conversion program and, if required, pay funds equal to interest (excluding any additional interest) payable on the next interest payment date to which you are not entitled and, if required, pay all taxes or duties, if any.

If you hold a certificated Note, to convert you must:

- complete and manually sign the conversion notice on the back of the Notes or a facsimile of the conversion notice;
- deliver the completed conversion notice and the Notes to be converted to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay funds equal to interest (but excluding any additional interest) payable on the next interest payment date to which you are not entitled; and
- if required, pay all transfer or similar taxes, if any.

The conversion date will be the date on which you have satisfied all of the foregoing requirements. The Notes will be deemed to have been converted immediately prior to 5:00 p.m., New York City time, on the conversion date.

You will not be required to pay any taxes or duties relating to the issuance or delivery of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty

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that may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own. Certificates representing common stock will be issued and delivered only after all applicable taxes and duties, if any, payable by you have been paid in full.

We will not issue fractional shares of our common stock upon conversion of the Notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of our common stock on the trading day immediately preceding the conversion date.

Conversion Rate Adjustments

We will adjust the conversion rate for the following events:

(1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_1	=	the conversion rate in effect immediately prior to the open of business on the record date for such dividend or distribution or the effective date of such share split or combination, as the case may be;
CR_0	=	the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such dividend or distribution or the effective date of such share split or combination, as the case may be;
OS_0	=	the number of shares of our common stock outstanding at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such dividend or distribution or the effective date of such share split or combination;
OS_1	=	the number of shares of our common stock that would be outstanding immediately after such dividend, distribution, share split or combination, as the case may be.

If any dividend or distribution described in this clause (1) is declared but not so paid or made, the adjusted conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all or substantially all holders of our common stock any rights, warrants or convertible securities (other than rights issued pursuant to a shareholders right plan) entitling them for a period of not more than 45 days from the issuance date for such distribution to subscribe for or purchase shares of our common stock, at a price per share less than the last reported sale price of our common stock on the trading day immediately preceding the declaration date of such distribution, the conversion rate will be adjusted based on the following formula; *provided* that the conversion rate will be readjusted to the extent that such rights, warrants or convertible securities are not exercised or converted prior to their expiration:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

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where,

CR_1	=	the conversion rate in effect immediately prior to the open of business on the record date for such distribution;
CR_0	=	the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;
OS_0	=	the number of shares of our common stock outstanding at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;
X	=	the total number of shares of our common stock issuable pursuant to such rights; and
Y	=	the number of shares of our common stock equal to the aggregate price payable to exercise such rights, warrants or convertible securities, *divided by* the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution.

(3) If we distribute shares of our capital stock, evidences of our indebtedness or other of our assets or property to all or substantially all holders of our common stock, excluding:

dividends or distributions as to which adjustment is required to be effected in clause (1) or (2) above;

dividends or distributions paid exclusively in cash; and

spin-offs described below in the second paragraph of this clause (3),

then the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 \quad FMV}$$

where,

CR_1	=	the conversion rate in effect immediately prior to the open of business on the record date for such distribution;
CR_0	=	the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;
SP_0	=	the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution; and
FMV	=	the fair market value (as determined by our board of directors or a committee thereof) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock as of the open of business on the record date for such distribution.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock in shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit of ours that are listed on a national or regional securities exchange, which is referred to in this Prospectus Supplement as a spin-off, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times FMV + MP_0$$

MP_0

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where,

CR_1 = the conversion rate in effect immediately prior to the open of business on the record date for the spin-off;

CR_0 = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for the spin-off;

FMV = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading day period immediately following, and including, the third trading day after the record date for such spin-off (such period, the valuation period); and

MP_0 = the average of the last reported sale prices of our common stock over the valuation period.

The adjustment of the conversion rate under the preceding paragraph will occur on the tenth trading day from, and including, the third trading day after the record date for such spin-off; provided that in respect of any conversion within the ten trading days following the commencement of the valuation period, references within this clause (3) to ten days shall be deemed replaced with such lesser number of trading days as have elapsed during such valuation period in determining the applicable conversion rate.

If any such dividend or distribution described in this clause (3) is declared but not paid or made, the adjusted conversion rate shall be readjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(4) If we pay any cash dividends or distributions to all or substantially all holders of our common stock (other than dividends or distributions made in connection with our liquidation, dissolution or winding-up or upon a merger, consolidation or sale, lease, transfer, conveyance or other disposition resulting in a change in the conversion consideration as described under Change in the Conversion Rights upon Certain Reclassifications, Business Combinations, Asset Sales and Corporate Events), the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 \quad C}$$

where,

CR_1 = the conversion rate in effect immediately prior to the open of business on the record date for such dividend or distribution;

CR_0 = the conversion rate in effect at 5:00 p.m., New York City time, on the trading day immediately preceding the record date for such distribution;

SP_0 = the average of the last reported sale prices of our common stock over the 10 consecutive trading day period ending on the trading day immediately preceding the record date for such distribution; and

C = the amount in cash per share we distribute to holders of our common stock.

If any dividend or distribution described in this clause (4) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of our

common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made

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pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_1	=	the conversion rate in effect immediately prior to the open of business on the trading day next succeeding the date such tender offer or exchange offer expires;
CR_0	=	the conversion rate in effect at 5:00 p.m. on the day such tender offer or exchange offer expires;
AC	=	the aggregate value of all cash and any other consideration (as determined by our board of directors or a committee thereof) paid or payable for shares purchased in such tender or exchange offer;
SP_1	=	the average of the last reported sale prices of our common stock over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires (the averaging period);
OS_1	=	the number of shares of our common stock outstanding immediately after the close of business on the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and
OS_0	=	the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to such tender offer or exchange offer).

The adjustment of the conversion rate under the preceding paragraph will occur on the tenth trading day from, and including, the trading day next succeeding the date such tender or exchange offer expires; provided that in respect of any conversion within the ten trading days following the commencement of the averaging period, references within this clause (5) to ten days shall be deemed replaced with such lesser number of trading days as have elapsed during such averaging period in determining the applicable conversion rate.

To the extent that any future shareholders rights plan adopted by us is in effect upon conversion of the Notes into common stock, you will receive, in addition to the common stock, the rights under the applicable rights agreement unless the rights have separated from our common stock at the time of conversion of the Notes, in which case, the conversion rate will be adjusted as if we distributed to all holders of our common stock shares of our capital stock, evidences of indebtedness or assets as described above in clause (3), subject to readjustment in the event of the expiration, termination or redemption of such rights.

We will not make any adjustment in accordance with clauses (1) (5) above if holders may participate in the transaction or in certain other cases. Except with respect to a spin-off, in cases where the fair market value of assets, debt securities or certain rights, warrants or options to purchase our securities, applicable to one share of common stock, distributed to stockholders:

equals or exceeds the average closing price of our common stock over the ten consecutive trading day period ending on the record date for such distribution, or

such average closing price exceeds the fair market value of such assets, debt securities or rights, warrants or options so distributed by less than $1.00,

rather than being entitled to an adjustment in the conversion price, the holder of Notes will be entitled to receive upon conversion, in addition to the shares of common stock, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such holder would have received if such holder had converted such Notes immediately prior to the record date for determining the stockholders entitled to receive the distribution.

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Except as stated above, we will not adjust the conversion rate for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or carrying the right to purchase any of the foregoing.

If a taxable distribution to holders of our common stock or other transaction occurs that results in any adjustment of the conversion rate (including an adjustment at our option), you may, in certain circumstances, be deemed to have received a distribution subject to U.S. income tax as a dividend. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of our common stock. See Certain United States Federal Income Tax Consequences.

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a c