AV Homes, Inc.
Form 10-K/A
April 16, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Mark One)

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

For the fiscal year ended December 31, 2012

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

For the transition period from __________ __________.

Commission File Number: 001-07395

AV HOMES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**23-1739078**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

8601 N. Scottsdale Rd., Suite 225

Scottsdale, Arizona	**85253**
(Address of principal executive office)	**(Zip Code)**

Registrants telephone number, including area code (480) 214-7400

Securities registered pursuant to Section 12(b) of the Act

Title of each class	**Name of each exchange on which registered**
Common Stock, $1.00 Par Value	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨	Smaller reporting company ¨

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $132,330,879 as of June 30, 2012.

As of April 1, 2013, there were 12,824,153 shares of common stock, $1.00 par value, issued and outstanding.

Table of Contents

EXPLANATORY NOTE

This Annual Report on Form 10-K/A is being filed by AV Homes, Inc. (AV Homes, the Registrant or the Company) to amend the Annual Report on Form 10-K for the year ended December 31, 2012 filed by the Registrant with the Securities and Exchange Commission (the SEC) on March 15, 2013 to include the information required to be disclosed by Part III, Items 10-14 of Form 10-K, and to amend and restate Part IV, Item 15(a)(3) of Form 10-K to correct certain errors and omissions in the exhibit list.

Table of Contents

AV HOMES, INC.

ANNUAL REPORT ON FORM 10-K/A

FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

PART III

ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	5
ITEM 11.	EXECUTIVE COMPENSATION	8
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	27
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	30
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	31

PART IV

ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	32

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) Identification of Directors

The following persons currently serve as members of our Board of Directors. Directors of AV Homes have been elected to serve until the next annual election of directors (which is scheduled for June 5, 2013), when they are re-elected or their successors are elected or until their earlier resignation or removal.

Name	Age
Allen J. Anderson	61
Paul D. Barnett	52
Roger A. Cregg	56
Roger W. Einiger	65
Reuben S. Leibowitz	65
Joshua L. Nash	51
Joel M. Simon	67

The following additional information is provided for each of the directors listed above.

Allen J. Anderson, Director since October 2010

Mr. Anderson, 61, has served as a member of our Board of Directors since October 2010. Mr. Anderson recently determined not to stand for reelection at the 2013 annual meeting of stockholders. Mr. Anderson previously served as our Chief Executive Officer and President from June 2011 to December 2012. Mr. Anderson has also been Managing Director of JEN Partners LLC, a private equity firm, since July 2007. He was formerly Director and Co-Founder, and served as a member of the Compensation Committee of the Board of Directors, of Recurrent Energy Inc., a solar power company, from June 2005 to July 2007. Mr. Anderson s 38 years of real estate, banking and private equity investment experience and 24 years of executive leadership experience, including past service as Chairman and Chief Executive Officer of a publicly traded company, contribute substantially to our Board as we seek to expand our real estate operations. Mr. Anderson was appointed to AV Homes Board of Directors in connection with the JEN Transaction, which is summarized herein under Part III, Item 13 - Certain Relationships and Related Transactions, and Director Independence.

Paul D. Barnett, Director since May 2007

Mr. Barnett, 52, has been Managing Director at Ulysses Management, LLC, a private investment firm, since February 2005. Prior thereto, he was Managing Principal at Odyssey Investment Partners, LLC, a private investment firm, from 1997 to 2004. From 2001 to August 2005, Mr. Barnett served as Director and Chairman of the Audit Committee of Dresser, Inc. He currently serves on the Board of Managers for Ice House America, LLC, EGD Security Systems, LLC, Communications Capital Group, LLC and PresAir, LLC, private Delaware limited liability companies. Mr. Barnett s experience and expertise in investment management, investment banking and the securities markets are valuable assets for AV Homes when seeking financing or raising capital.

Roger A. Cregg, Director since December 2012

Mr. Cregg, 56, has been President and Chief Executive Officer of AV Homes since December 2012. Prior to joining AV Homes, he served as Senior Vice President of Finance and Chief Financial Officer of The ServiceMaster Company, a residential and commercial service company, from August 2011 through November 2012. He served as Executive Vice President of PulteGroup, Inc. (formerly known as Pulte Homes, Inc.), a national homebuilding company, from May 2003 to May 2011 and Chief Financial Officer of PulteGroup, Inc. from January 1998 to May 2011. He served as Senior Vice President of PulteGroup, Inc. from January 1998 to May 2003. He has served as a Director of Comerica Incorporated since 2006. He was a Director of the Federal Reserve Bank of Chicago, Detroit Branch, from January 2004 to December 2009 and served as Chair from January to December 2006.

Roger W. Einiger, Director since May 2006

Mr. Einiger, 65, has been President of Hardscrabble Advisors, LLC, a private investment firm, since 2001. Previously he spent three decades at Oppenheimer & Co. and its successor companies, most recently serving as Vice Chairman. Following the sale of

Table of Contents

Oppenheimer in 1997, he served as Vice Chairman of CIBC Oppenheimer Corp., an investment banking and brokerage company, and as a consultant to Canadian Imperial Bank of Commerce until 2001. Mr. Einiger previously served as a Director of BPW Acquisition Corp. and a Director and member of the Audit Committee of NDS Group plc. He also serves as a director or trustee of several philanthropic and academic organizations. During his tenure with Oppenheimer, Mr. Einiger was responsible for finance, operations, technology, and human resources departments. His diverse background lends valuable insight to AV Homes Board of Directors and the Audit, Executive and Compensation Committees on which he serves.

Reuben S. Leibowitz, Director since October 2010

Mr. Leibowitz, 65, has been Managing Director of JEN Partners, LLC, a private equity firm, since 2005. He serves as a Director of Simon Property Group and as Chairman of its Compensation Committee and as a member of its Audit Committee. He also serves as a director of several private companies controlled by or affiliated with JEN Partners. Mr. Leibowitz is an Overseer of the Stern School of Business (NYU) and a member of Hillel s International Board of Governors. He previously served as a Director of Chelsea Property, Grubb & Ellis, Lennar, and Pacific Greystone. Mr. Leibowitz s more than 25 years of experience in real estate investment and service as a director of other publicly traded real estate and home building companies make him an asset to the operations and growth of AV Homes active adult developments and other real estate endeavors. Mr. Leibowitz was appointed to AV Homes Board of Directors on October 25, 2010, in connection with the JEN Transaction, which is summarized herein under Part III, Item 13 - Certain Relationships and Related Transactions, and Director Independence.

Joshua L. Nash, Director since September 2004

Mr. Nash, 51, has been Chairman of the Board of Directors of AV Homes since September 2004. He is the sole member of Joshua Nash II LLC, the managing member of ODAV LLC, a private limited liability company, formed in September 2003 to manage its investment in AV Homes. Mr. Nash has served as President of Ulysses Management, L.L.C., which serves as investment manager to a U.S. partnership and offshore investment fund, since 1997. Mr. Nash has also been General Partner of Ulysses Partners, L.P., a private investment firm, since 1997. He was formerly a General Partner of Odyssey Partners, L.P., a private investment firm, from 1989 until its liquidation in December 2007. For more than six years, Mr. Nash has managed investments, representing assets, including real estate, in excess of $1 billion. His more than 20 years of experience in investment management and his financial interest in AV Homes make him uniquely qualified to serve as AV Homes Chairman.

Joel M. Simon, Director since May 2004

Mr. Simon, 67, has been Partner and Principal in XRoads Solutions Group, LLC, a national financial advisory and consulting firm, since June 2000, and he will retire from these positions effective April 30, 2013. He was formerly Chief Executive Officer and President of Starrett Corporation from March 1998 to December 1998; Executive Vice President, Chief Operating Officer and Director of Olympia & York Companies (U.S.A.) from 1985 to 1996; and Senior Partner with Margolin, Winer & Evens, LLP, a regional accounting firm, from 1976 to 1984. Mr. Simon also served as a Director, Chairman of the Audit Committee and member of the Compensation Committee of Frederick s of Hollywood Group, Inc. Mr. Simon s extensive financial and operational expertise in many industries, including real estate, make him not only a well-qualified member of AV Homes Board but also Chairman of, and financial expert for, its Audit Committee.

(b) Identification of Executive Officers

The following table includes information with respect to our current executive officers as of the date of this Form 10-K/A.

Name	Age	Position
Roger A. Cregg	56	President and Chief Executive Officer
Tina M. Johnston	45	Senior Vice President, Principal Financial Officer and Principal Accounting Officer
Joseph C. Mulac, III	51	Executive Vice President
Dave M. Gomez	48	Executive Vice President, General Counsel and Corporate Secretary

The following additional information is provided for the executive officers shown above who are not directors.

Tina M. Johnston has served as our Principal Financial Officer and Principal Accounting Officer since August 2011, and as our Senior Vice President since November 2012. She served as a Vice President of AV Homes from August 2011 to November 2012. From 2005 to 2011, Ms. Johnston was an independent consultant focusing on financial modeling, strategic planning of land acquisitions and dispositions, budgeting and forecasting. Ms. Johnston also served as Vice President of Finance for Richmond

6

Table of Contents

American Homes (MDCH) from 2004 to 2005. Prior to 2004, Ms. Johnston held various positions with Del Webb Corporation and Pulte Homes (who acquired Del Webb in 2001), including Director of Finance for the Del Webb Group.

Joseph Carl Mulac, III has served as our Executive Vice President and President of our wholly owned subsidiary, Avatar Properties Inc. (API), since October 25, 2010. Mr. Mulac was appointed an officer of AV Homes and API in connection with the JEN Transaction, which is summarized herein under Part III, Item 13 - Certain Relationships and Related Transactions, and Director Independence. Since April 2009, Mr. Mulac has served as Chief Executive Officer of Joseph Carl Homes, LLC (n/k/a Avatar Properties of Arizona, LLC). From March 2003 to April 2009, Mr. Mulac held various officer positions with Tousa, Inc.

Dave M. Gomez has served as our Executive Vice President, General Counsel and Corporate Secretary since October 2012. From 2010 to 2012 he served as the Senior Vice President, General Counsel and Secretary of StarTek, Inc., a business process outsourcing provider, and from 2008 until 2009 as Chief Legal Officer and Chief Compliance Officer with eTelecare Global Solutions, a Philippine-based business process outsourcing provider. From 2005 until 2008, Mr. Gomez served as General Counsel for ProLink Holdings Corp. and from 2004 to 2005 as Senior Attorney at EaglePicher Incorporated. From 1996 to 2003, he was an Associate with the law firm of Quarles & Brady, Streich Lang, LLP in Phoenix, Arizona.

(c) Identification of Certain Significant Employees

Not applicable.

(d) Family Relationships

There are no family relationships among any of our directors or executive officers.

(e) Business Experience

The business experience of each of our current directors and executive officers is set forth in Part III, Item 10(a), Identification of Directors and Part III, Item 10(b), Identification of Executive Officers, respectively, of this Annual Report on Form 10-K/A.

The directorships currently held, and held during the past five years, by each of our directors in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to Section 15 of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended, are set forth in Part III, Item 10(a), Identification of Directors of this Annual Report on Form 10-K/A.

(f) Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers who served during the year ended December 31, 2012 (Fiscal 2012) or currently have been involved during the past ten years in any legal proceedings required to be disclosed pursuant to Item 401(f) of Regulation S-K.

(g) Promoters and Control Persons

Not applicable.

(h) and (i) Audit Committee and Audit Committee Financial Expert

Our Audit Committee consists of Mr. Simon (Chairman), Mr. Barnett and Mr. Einiger. All members of the Audit Committee have been determined to be independent (see Director Independence under Part III, Item 13 below). The Board has also determined that all members of the Audit Committee are financially literate under the listing standards of The Nasdaq Stock Market (Nasdaq) and Joel M. Simon is an audit committee financial expert, as defined in the rules of the SEC and for purposes of Nasdaq s listing standards.

(j) Procedures for Stockholder Nominations to the Board of Directors

No material changes to the procedures for nominating directors by our stockholders were made during Fiscal 2012.

Section 16(a) Beneficial Ownership Reporting Compliance

Table of Contents

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than ten percent of our outstanding common stock to file with the SEC initial reports of ownership and reports of changes in ownership of common stock.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners for Fiscal 2012 were complied with on a timely basis, except for a Form 4 for Mr. Mulac reporting the vesting of shares and shares withheld as payment for the tax liability upon vesting.

Code of Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of AV Homes and a Supplemental Code of Ethics for the Chief Executive Officer, Principal Financial Officer and other Senior Financial Officers. These Codes of Business Conduct and Ethics are available on AV Homes website at www.avhomesinc.com.

ITEM 11. EXECUTIVE COMPENSATION
Compensation Discussion and Analysis

Following this Compensation Discussion and Analysis (CD&A), we present detailed tabular and narrative information concerning the compensation of each of the Named Executive Officers and their employment and other agreements. This detailed information should be read in conjunction with the CD&A.

Overview

In this section of our Form 10-K/A we discuss, among other things, the overall objectives of our executive compensation programs and the material elements of compensation awarded to, earned by, or paid to our Named Executive Officers (or NEOs). We identify the Named Executive Officers in accordance with SEC rules and include each person who in Fiscal 2012 served as our principal executive officer and our principal financial officer, as well as our other executive officers serving at December 31, 2012, and one former executive who would have been among the most highly compensated executive officers but was no longer serving as an executive officer at December 31, 2012. For Fiscal 2012, our Named Executive Officers were:

Name	Current Position(s)	Periods of Service
Current Executive Officers:		
Roger A. Cregg	President and Chief Executive Officer	December 3, 2012 present
Tina M. Johnston	Senior Vice President, Principal Financial Officer and Principal Accounting Officer	August 2011 present
Joseph Carl Mulac, III	Executive Vice President and President of our subsidiary, Avatar Properties Inc.	October 2010 present
Dave M. Gomez	Executive Vice President, General Counsel and Corporate Secretary	October 1, 2012 present
Former Executive Officers:		
Allen J. Anderson	Former President and Chief Executive Officer	June 2011 December 3, 2012
Patricia K. Fletcher	Former Executive Vice President, General Counsel and Secretary	January 2007 September 30, 2012

The compensation of our Named Executive Officers should be understood within the context of our business. We are engaged in the business of homebuilding, community development, and land sales in Florida and Arizona. Our primary business is the development of active adult communities, in conjunction with construction and sales of residences within those communities. We also construct and sell homes in primary residential communities, some of which we developed in prior years. We also engage in a variety of other real estate related activities, such as the operation of amenities and the sale for third-party development of commercial and industrial land. Most of our development projects take many years to conceive, permit, develop and sell. Thus, it may take an extended period of time before a project can be viewed as profitable or not.

Table of Contents

Overall performance in 2012 improved substantially from our results in 2011, with improvement in all areas. During 2012, we continued to implement our new strategic plan. Our primary efforts were focused on the evaluation of potential future investments and the orderly sale of non-core assets. Our focus in 2013 is to position our business to take advantage of the improving market conditions and make progress toward regaining profitability. We reported a net loss of $90.2 million or $7.19 per diluted share on revenues of $107.5 million for 2012, compared to a net loss of $165.9 million or $13.33 per diluted share on revenues of $89.0 million for 2011. The 2012 and 2011 results included non-cash impairments of $59.0 million and $129.9 million, respectively. We signed 393 housing contracts, net of cancellations, in 2012, up 72% from 229 in 2011, and the dollar volume of those contracts increased 77% to $91.0 million in 2012 compared to $51.4 million for 2011.

Say on Pay Advisory Vote

Our compensation programs have not changed significantly over the last few years. Accordingly, while our Compensation Committee has considered the outcome of our last stockholder advisory vote on executive compensation (the so-called say on pay vote), which was held at our 2011 annual meeting of stockholders at which approximately 82% of the shares voted on the matter approved our executive compensation, we have not made any significant changes in response to that vote or otherwise. The next say on pay vote will be held at our 2014 annual meeting of stockholders.

Objectives of Our Compensation Programs and What They Are Designed to Reward

Our compensation programs are intended to attract and retain executives, to motivate and reward them for achieving the Company s long-term goals, and to align their interests with those of our stockholders.

In order to retain the services of our executives, our compensation practices should be competitive with those of other employers with whom we compete for talent.

AV Homes pays for performance. This means that our compensation program is designed to recognize an executive s contribution that has led to the attainment of corporate goals.

Our compensation program is designed to motivate executives to achieve results in a manner that builds long-term stockholder value. An equity component of total compensation is included to align the interests of the executives with the interests of our stockholders.

Compensation Process

The compensation of our NEOs is overseen and determined by the Compensation Committee of our Board of Directors. Each member of the Compensation Committee is independent in accordance with applicable rules of Nasdaq. The Compensation Committee works with the CEO to establish the Company s executive compensation philosophy, policies and programs. The Compensation Committee meets with the CEO annually to discuss his or her performance, but ultimately decisions regarding his or her compensation are made solely by the Compensation Committee based on its deliberations.

Most of our executive officers in 2012 were employed by us for only a portion of the year and their compensation for the year was primarily the result of negotiations related to their commencement or termination of employment.

The Compensation Committee did not consult with any compensation consultants related to its decisions regarding 2012 executive compensation. However, during 2012, the Compensation Committee retained James Reda of Gallagher & Associates to provide guidance on executive compensation practices, policies and benchmarking of peers to inform the Compensation Committee s decisions related to 2013 executive compensation. The Compensation Committee assessed the independence of Mr. Reda and the Gallagher firm and concluded that no conflict of interest exists that would prevent them from independently representing the Compensation Committee.

The CEO has generally been involved in negotiating and recommending compensation for the executive officers other than himself; however, the actual compensation agreements and arrangements are ultimately subject to approval by the Compensation Committee. The CEO also makes recommendations to the Compensation Committee regarding the level of achievement attained under the performance-based awards for all executive officers with such awards (for 2012, this included Ms. Johnston, Mr. Mulac and Ms. Fletcher).

How the Various Kinds of Compensation Are Determined and Allocated to Form a Complete Package

The objectives described above are supported by the four primary elements of our compensation program for NEOs: base salaries, annual performance-based cash bonuses, equity awards and employment agreements.

Table of Contents

While there are several elements to the compensation program, they are evaluated as a whole by our Compensation Committee in making its compensation determinations. We do not have any specific policies or parameters for allocating between cash and non-cash compensation or with respect to the duration of compensation arrangements. In general, the Compensation Committee has a balanced approach regarding the allocation between cash and non-cash compensation, taking into account our business plan and the responsibilities of the particular executive.

Salaries

Salaries are a necessary part of any compensation program and paying reasonable salaries is an important aspect of attracting and retaining qualified executives. In setting salaries, we have not established any specific target levels based on peer group analyses or benchmarking studies. However, we believe that our market for executive talent is competitive, and we take this into account in the establishment of a total compensation package.

The base salary amounts for the NEOs were established in connection with the negotiation of their respective employment agreements. See below under Employment and Separation Agreements.

Performance-Based Cash and Equity Awards

A significant component of our compensation program for most NEOs is their opportunity to receive performance-based cash or equity awards. We use these awards to motivate executives toward achieving long-term corporate goals that are consistent with AV Homes business plans. We also use them both to align the executives interests to those of our stockholders and to retain our executives. As with salaries, we have not established any specific target levels for incentive compensation based on peer group analyses or benchmarking studies. However, we aim to set reasonable awards within the framework of a total compensation package. The specific types of awards (for example, cash or equity) and performance objectives (for example, stock price or gross profit) and periods (for example, annual or multi-year) are tailored for the recipient based on company and individual performance objectives. In determining amounts of the awards, consideration may be given to numerous factors, including anticipated future results of operations and the executive s anticipated contributions toward achieving such results. Amounts may also be based upon the achievement of specified stock prices and the executive s continued employment through the vesting period. The Compensation Committee has not established a formal policy as to when grants are made. Awards are usually granted at a meeting of the Compensation Committee.

Cash Performance-Based Awards

Pursuant to Ms. Johnston s, Mr. Mulac s and Ms. Fletcher s employment agreements, the executive officer is eligible to receive a performance-based cash award targeted at a percentage of his or her annual base salary (the Target Bonus). The percentage of annual base salary for the Named Executive Officers is as follows: Ms. Johnston 50%; Mr. Mulac 100%; Ms. Fletcher 100%. Pursuant to the terms of the employment agreements, the amount of the bonus generally depends upon the level of performance targets that are achieved by AV Homes. With respect to the determination of the bonus under the employment agreements: (i) if 100% of the performance targets are achieved in a given year, the Named Executive Officer will be paid a bonus equal to the Target Bonus; (ii) if AV Homes achievement of the objective performance goals for the applicable year is greater than or less than 100% of the objective portion of the performance targets, the portion of the bonus determined by reference to such objective performance goals shall be calculated by mathematical interpolation (however, the Compensation Committee may determine a maximum level of objective performance goals, above which no additional bonus will be paid, and a minimum level of objective performance goals, below which no portion of the bonus attributable to objective performance goals will be paid); and (iii) the portion of the bonus determined by reference to the subjective performance goals shall be determined by the Compensation Committee in its sole discretion.

The performance objectives for the 2012 cash awards for Ms. Johnston, Mr. Mulac and Ms. Fletcher are described below. Mr. Cregg joined the Company in December 2012 and was not eligible for an annual cash award for Fiscal 2012, but will be eligible for such an award for fiscal 2013. Mr. Anderson s employment agreement did not contemplate a performance-based cash award and he did not receive a cash incentive opportunity for Fiscal 2012, although he did receive certain payments in connection with his separation from AV Homes in December 2012, which are described below under Employment and Separation Agreements. Mr. Gomez joined AV Homes in October 2012 and received a guaranteed bonus payment of $60,000 for Fiscal 2012.

Tina M. Johnston For 2012, the Compensation Committee administered Ms. Johnston s award so as to apply the performance objectives to the entire amount of her Target Bonus, as opposed to considering 25% of the bonus as a subjective component. Below are the objectives associated with Ms. Johnston s cash award for 2012 and the level of achievement of those objectives:

15% - Work with CEO to draft an investment policy and obtain Board approval and implementation by April 1, 2012; select a new banking institution to manage operating bank accounts and investment funds and manage conversion of current accounts to new bank by April 30, 2012 ***This objective was fully achieved for a payout equal to 15% of her Target Bonus***

Table of Contents

20% - Perform full review of internal controls and coordinate re-write of all Company internal control process and procedure documents; review new documentation with SOX auditors with targeted completion date of June 1, 2012 ***- This objective was fully achieved for a payout equal to 20% of her Target Bonus***

20% - Function as project sponsor for software implementation; coordinate project at a management level, ensuring budget and timeline goals are met for a scheduled October 31, 2012 implementation date; provide guidance to team leads and outside consultants and communicate project status and issues to CEO and Board as needed - ***This objective was fully achieved for a payout equal to 20% of her Target Bonus***

10% - Manage the streamlining of monthly consolidation process for distribution of financial statements on the 10th working day of the next month and forecasted information by the 15th working day of each month; manage internal and external resources for timely and accurate filing of all SEC and other external reports - ***This objective was 75% achieved for a payout equal to 7.5% of her Target Bonus***

15% - Successful investment or binding commitments to invest at least $40 million in the following:

New active adult, multi-family or conventional land;

Developed or partially developed master planned communities or joint venture/partnerships that own such projects that are suitable to the Company s strategic plans;

Multi-family projects for age-restricted or age-targeted market or joint ventures/partnerships that own such projects that are suitable to the Company s strategic plans; or

Any other transaction that is intended to accomplish the Company s strategic objects as approved by the Board ***- This objective was fully achieved for a payout equal to 15% of her Target Bonus***

5% - Manage expenses to meet budget or reduce overall expenditures for net savings (meeting budget results in earning one-half of the payout tied to this objective, and each $250,000 reduction in budget expense earns another 25% of the payout) - ***One-half of this objective was achieved for a payout equal to 2.5% of her Target Bonus***

15% - Identify and successfully negotiate at least $50 million of commitments for debt or equity to fund projects and/or operations arranged as either corporate or project debt and/or equity (each $10 million of additional capital earns an additional 5% of the total bonus) ***89% of this objective was achieved for a payout equal to 13.35% of her Target Bonus***

Joseph Carl Mulac, III - For 2012, the Compensation Committee administered Mr. Mulac s award so as to apply the performance objectives to the entire amount of his target bonus, as opposed to considering 25% of the bonus as a subjective component. Below are the objectives associated with Mr. Mulac s cash award for 2012 and the level of achievement of those objectives:

50% - Achieve budgeted sales and closings for Central Florida operations and Arizona operations with budgeted gross margins - ***80% of this objective was achieved for a payout equal to 40% of his Target Bonus***

25% - Manage implementation process to insure total integration between operating divisions ***This object was fully achieved for a payout equal to 25% of his Target Bonus***

15% - Successful investment or binding commitments to invest at least $40 million in the following:

New active adult, multi-family or conventional land;

Developed or partially developed master planned communities or joint venture/partnerships that own such projects that are suitable to the Company s strategic plans;

Multi-family projects for age-restricted or age-targeted market or joint ventures/partnerships that own such projects that are suitable to the Company s strategic plans; or

Any other transaction that is intended to accomplish the Company s strategic objects as approved by the Board ***- This objective was fully achieved for a payout equal to 15% of his Target Bonus***

5% - Manage expenses to meet budget or reduce overall expenditures for net savings (meeting budget results in earning one-half of the payout tied to this objective, and each $250,000 reduction in budget expense earns another 25% of the payout) ***One-half of this objective was achieved for a payout equal to 2.5% of his Target Bonus***

15% - Identify and successfully negotiate at least $50 million of commitments for debt or equity to fund projects and/or operations arranged as either corporate or project debt and/or equity (each $10 million of additional capital earns an additional 5% of the total bonus) ***89% of this objective was achieved for a payout equal to 13.35% of his Target Bonus***

Table of Contents

Patricia K. Fletcher - Although Ms. Fletcher did not remain employed through the end of Fiscal 2012, we entered into a separation agreement with her and agreed to pay her the amounts she would have received under her incentive plan if she had remained employed through the end of the year. These termination benefits acknowledged her many years of service to the Company, her willingness to provide transition assistance through October 31, 2012 and her release of claims and agreement to certain post-termination covenants. Below were the objectives associated with Ms. Fletcher s performance-based cash award for 2012 and the level of achievement of those objectives:

25% - Achieve sale/transfer/restructure of Solivita and Bellalgo Club facilities (conditioned upon HOA acceptance or alternate structure), taking primary lead in drafting legal documentation to limit outside legal fees for these transactions
This objective was not completed in Fiscal 2012

25% - Manage due diligence and documentation for new acquisitions and sales of assets while minimizing outside legal fees ***This objective was fully achieved for a payout equal to 25% of her performance-based Target Bonus***

30% - Implement new business strategy of the Company within established budget for professional fees and in conjunction with organizational and financial objectives laid out by CEO ***This objective was fully achieved for a payout equal to 30% of her performance-based Target Bonus***

20% - Manage all SEC reporting and coordinate SOX control with Principal Accounting Officer ***This objective was fully achieved for a payout equal to 20% of her performance-based Target Bonus***

Ms. Fletcher also earned the full subjective bonus amount, which entitled her to a payout equal to 25% of her Target Bonus. The Compensation Committee determined that Ms. Fletcher s contribution to the realignment of the Company s business, including the closure of its former corporate offices, implementation of document retention system and management of the Company s Poinciana Parkway efforts, were sufficient to earn her discretionary bonus availability for 2012. In addition, pursuant to the terms of her incentive award plan and her separation agreement, Ms. Fletcher received a special bonus of $300,000 in recognition of the Company s execution of an agreement related to the Poinciana Parkway, as well as her outstanding efforts on behalf of the Company over the course of her employment, her willingness to continue to perform all of her duties after her tender of resignation and her agreement to continue with transition duties through her termination date.

Equity Awards

We grant equity awards from time to time, primarily to serve as compensation for performance and incentives for continued employment and future performance. We primarily grant equity in the form of restricted stock, some of which has had time-based vesting conditions and some of which has had performance-based vesting conditions. We have generally granted equity in the form of restricted stock because we believe that it most closely aligns the interests of our executives with those of our stockholders. We did not make an annual grant to all executive officers in 2012, but rather made certain grants that were individually determined based on particular circumstances and, in some cases, were individually negotiated in connection with the commencement or termination of employment. The amounts and terms of equity awards were determined by our Compensation Committee in connection with the particular circumstances of each grant.

The only equity awards granted to NEOs in 2012 were:

Grants made to Mr. Cregg in connection with his commencement of employment as our President and Chief Executive Officer. The grants included a grant of unrestricted stock in the amount of 15,673 shares, a grant of 15,673 shares of performance-based restricted stock that will vest if certain performance goals are met and provided that Mr. Cregg remains employed through the vesting dates, at which time 25% of the shares will vest on December 31, 2013, 2014, 2015 and 2016, and a grant of 31,347 shares of time-based restricted stock that will vest as to 50% of the shares on December 31, 2013 and 2014.

A grant of 15,000 shares of time-based restricted stock to Ms. Johnston in recognition of the significant work and travel commitments Ms. Johnston made in recent periods, particularly during the prior six months, which vests in three equal installments on January 1, 2013, 2014 and 2015.

A grant of 70,000 shares of stock to Mr. Anderson, through the acceleration of vesting of an outstanding grant, pursuant to his separation agreement, as described in more detail below.

A grant of 9,000 shares of stock to Ms. Fletcher, through the acceleration of vesting of an outstanding grant, pursuant to her separation agreement, as described in more detail below.

Employment and Separation Agreements

Table of Contents

We have had several transitions in our management team in recent years and have entered into employment agreements with our executive officers to set forth certain compensatory and other terms in order to attract new executives away from other opportunities to join our Company. Similarly, we have entered into separation agreements with executives who have left the Company to facilitate an orderly transition of their responsibilities and to receive valuable covenants and assurances from them.

During 2012, we entered into an employment agreement with Mr. Cregg, our new President and Chief Executive Officer, and Mr. Gomez, our new Executive Vice President, General Counsel and Corporate Secretary. We also entered into separation agreements with Mr. Anderson, our former President and Chief Executive Officer, and Ms. Fletcher, our former Executive Vice President, General Counsel and Secretary. The terms of the agreements were negotiated between us and the individuals based on their particular circumstances and were approved by our Compensation Committee. The terms of these agreements are described below under Employment and Separation Agreements.

Executive Compensation Governance Practices

The employment agreements with many of our executive officers, including Mr. Cregg, Ms. Johnston and Mr. Mulac, require them to hold shares of AV Homes stock, counting only vested shares and other shares held directly, having a fair market value equal to or greater than three times his or her base salary. There is no deadline for achieving the required level of stock ownership; however, the executive officer may not sell any shares of AV Homes stock from his or her restricted stock grants, other than to satisfy any required tax withholding, until he or she has achieved the required stock ownership level.

Tax and Accounting Considerations

The Company considers the tax consequences of all elements of its compensation program on both the executives and the Company. In particular, we consider the effects of Section 162(m) as well as Sections 280G and 4999 of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code could potentially limit the federal income tax deductions to be taken by the Company for compensation paid to the CEO and to each of the other three most highly compensated NEOs (other than the CFO). The general rule is that annual compensation paid to any of these executives will be deductible by AV Homes only to the extent that it does not exceed $1,000,000 (per person) or qualifies as performance-based compensation. Generally, we intend that compensation paid to executives will comply with requirements of Section 162(m) so that AV Homes will receive a full federal tax deduction. However, we may decide to make non-deductible payments or awards when circumstances warrant, consistent with our compensation philosophy and objectives.

In the event of a change of control of the Company, Section 280G could potentially limit the federal tax deductions to be taken for certain compensation payments to an executive who could be subject to additional taxes (Section 4999). These provisions of the tax code are sometimes referred to as the golden parachute provisions. In general, if the total amount of payments to an individual that are contingent upon a change of control of AV Homes (within the meaning of Section 280G), including payments under our incentive plans that vest upon a change of control, equals or exceeds three times the executive s base amount (generally, the individual s average annual compensation for the five calendar years preceding the change of control), then, subject to certain exceptions, the portion of such payments in excess of the base amount may be treated as parachute payments under Section 280G. A portion of such payments would not be deductible by AV Homes, and the executive would be subject to a 20% excise tax on such portion of the payments.

The Company accounts for stock-based compensation in accordance with the requirements of ASC Topic 718 (ASC 718), which, for example, requires all stock-based awards to be expensed. The adoption of ASC 718 has not affected our compensation program for NEOs.

Compensation Committee Report

The Compensation Committee of the Board of Directors of AV Homes has reviewed and discussed the foregoing Compensation Discussion and Analysis with AV Homes management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in AV Homes Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and AV Homes proxy statement for the 2013 Annual Meeting.

Compensation Committee
Roger W. Einiger, Chairman
Joshua L. Nash

13

Table of Contents

Summary Compensation Table

The following table presents 2012, 2011 and 2010 compensation information regarding the Company s Chief Executive Officer, Principal Financial Officer and the two other executive officers on December 31, 2012, as well as the Company s former Chief Executive Officer and another former executive officer (the Named Executive Officers or NEOs).

Name and Principal Position	Year	Salary	Bonus	Stock Awards(6)	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Roger A. Cregg									
President and Chief Executive Officer (1)	2012	30,769		799,975					830,744
Tina M. Johnston	2012	175,000		107,700		81,681			364,381
Senior Vice President, Principal Financial	2011	67,308		212,275		24,812			304,395
Officer and Principal Accounting Officer (2)									
Joseph Carl Mulac, III	2012	300,000				261,390			561,390
Executive Vice President;	2011	300,000							