DEER VALLEY CORP
Form 10-Q
August 12, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2014

OR

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

For the transition period from __________ to __________

Commission file number 000-05388

DEER VALLEY CORPORATION

(Exact name of Registrant as specified in its charter)

Florida	**20-5256635**
(State or other jurisdiction of	**(I.R.S. employer**
incorporation or organization)	**identification no.)**

3030 N Rocky Point Drive W, Suite 150, Tampa, FL	**33607**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (813) 418-5250

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 is a large accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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 ¨

The Registrant had 15,401,387 shares of Common Stock, par value $0.001 per share, outstanding as of August 1, 2014.

Table of Contents

TABLE OF CONTENTS

Unless otherwise indicated or the context otherwise requires, all references in this filing to we, us, the Company, and Deer Valley are to Deer Valley Corporation, a Florida corporation, together with its wholly-owned subsidiaries, Deer Valley Homebuilders, Inc., an Alabama corporation, Deer Valley Finance Corp., a Florida corporation, and Deer Valley Home Repair Services, Inc., a Florida corporation.

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Deer Valley Corporation & Subsidiaries

Condensed Consolidated Financial Statements

Contents:

Table of Contents

Deer Valley Corporation & Subsidiaries

Condensed Consolidated Balance Sheets

ASSETS

	June 28, 2014 (unaudited)	December 28, 2013
Current Assets:		
Cash	$ 2,018,522	$ 3,107,213
Accounts receivable, net	1,881,169	1,537,027
Inventory	1,645,023	1,310,618
Deferred tax asset	520,194	567,693
Inventory finance notes receivable	1,819,855	2,607,456
Construction loan notes receivable		693,257
Prepaid expenses and other current assets	385,602	120,069
Total Current Assets	8,270,365	9,943,333
Fixed Assets:		
Property, plant and equipment, net	2,163,647	2,143,707
Other Assets:		
Inventory finance notes receivable, net	2,415,287	3,287,772
Deferred tax asset	1,480,209	1,621,179
Other assets	15,934	17,482
Total Other Assets:	3,911,430	4,926,433
Total Assets	**$ 14,345,442**	**$ 17,013,473**

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities:		
Current maturities on long term debt	$ 125,600	$ 125,600
Revolving credit loans	825,000	3,056,799
Accounts payable	220,708	364,887
Accrued expenses	1,531,688	1,514,010
Accrued warranties	1,145,000	1,185,000
Income tax payable		140,162
Total Current Liabilities	3,847,996	6,386,458
Long Term Liabilities:		
Long-term debt, net of current maturities	753,600	816,400

Total Long Term Liabilities	753,600	816,400
Total Liabilities	**4,601,596**	**7,202,858**
Commitments and Contingencies (Note 10)		
Stockholders Equity:		
Common stock, $0.001 par value, 100,000,000 shares authorized, 17,786,184 and 17,786,184 shares issued and 15,401,387 and 15,434,447 outstanding, respectively.	17,788	17,788
Additional paid-in capital	33,254,293	33,254,293
Treasury Stock, at cost; 2,384,797 and 2,351,737 shares, respectively	(1,296,900)	(1,275,616)
Accumulated deficit	(22,231,335)	(22,185,850)
Total Stockholders Equity	9,743,846	9,810,615
Total Liabilities and Stockholders Equity	**$ 14,345,442**	**$ 17,013,473**

See notes to consolidated financial statements

F-2

Table of Contents

Deer Valley Corporation & Subsidiaries

Condensed Consolidated Statements of Operations

	For The Three Month Period Ended		For The Six Month Period Ended	
	June 28, 2014 (unaudited)	June 29, 2013 (unaudited)	June 28, 2014 (unaudited)	June 29, 2013 (unaudited)
REVENUE	$ 7,919,232	$ 7,223,477	$ 13,116,303	$ 12,678,028
COST OF REVENUE	6,400,421	5,846,887	10,927,236	10,408,686
GROSS PROFIT	1,518,811	1,376,590	2,189,067	2,269,342
OPERATING EXPENSES:				
Depreciation	3,077	2,712	5,785	5,739
Selling, general and administrative	1,021,383	947,181	2,220,301	2,024,231
TOTAL OPERATING EXPENSES	1,024,460	949,893	2,226,086	2,029,970
OPERATING INCOME/(LOSS)	494,351	426,697	(37,019)	239,372
OTHER INCOME (EXPENSES)				
Interest income	120	121	240	292
Other income (expense)			2,200	
Interest expense	(9,555)	(10,906)	(19,338)	(22,025)
TOTAL OTHER INCOME/(EXPENSES)	(9,435)	(10,785)	(16,898)	(21,733)
INCOME/(LOSS) BEFORE INCOME TAXES	484,916	415,912	(53,917)	217,639
INCOME TAX (EXPENSE)/BENEFIT	(188,658)	(158,986)	8,432	(89,950)
NET INCOME/(LOSS)	**$ 296,258**	**$ 256,926**	**$ (45,485)**	**$ 127,689**
Net Income/(Loss) Per Share (Basic)	**$ 0.02**	**$ 0.02**	**$ (0.00)**	**$ 0.01**
Net Income/(Loss) Per Share (Fully Diluted)	**$ 0.02**	**$ 0.02**	**$ (0.00)**	**$ 0.01**
Weighted Average Common Shares Outstanding	**15,411,248**	**15,508,736**	**15,422,096**	**15,539,432**
Weighted Average Common and Common Equivalent Shares Outstanding	**15,411,248**	**15,508,736**	**15,422,096**	**15,539,432**

See notes to consolidated financial statements

Table of Contents

Deer Valley Corporation & Subsidiaries

Condensed Consolidated Statements of Cash Flows

	For The Six Month Period Ended June 28, 2014 (unaudited)	For The Six Month Period Ended June 29, 2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	$ (45,485)	$ 127,689
Adjustments to reconcile net (loss)/income to net cash provided by/used in operating activities:		
Depreciation	85,994	103,428
Gain on sale of equipment	(2,200)	
Provision for credit losses	(70,750)	(87,990)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(344,142)	(204,173)
(Increase)/decrease in inventories	(334,405)	(109,638)
(Increase)/decrease in deferred tax asset	188,468	177,056
(Increase)/decrease in inventory finance receivable	1,730,836	1,069,768
(Increase)/decrease in construction loan receivable	693,257	(1,000,960)
(Increase)/decrease in prepayments and other	(30,676)	(134,393)
Increase/(decrease) in accounts payable	(144,178)	88,549
Increase/(decrease) in income tax payable	(373,470)	(57,732)
Increase/(decrease) in estimated services and warranties	(40,000)	(90,000)
Increase/(decrease) in accrued expenses	17,678	(463)
CASH FLOW PROVIDED BY/(USED) IN OPERATING ACTIVITIES	**$ 1,330,927**	**$ (118,859)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(105,935)	(60,219)
Proceeds from sale of property, plant and equipment	2,200	
CASH FLOW (USED) IN INVESTING ACTIVITIES	**$ (103,735)**	**$ (60,219)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(62,800)	(62,800)
Proceeds from revolving credit loans	3,600,000	7,246,287
Repayments of revolving credit loans	(5,831,799)	(7,189,487)
Purchases of treasury stock	(21,284)	(111,085)
CASH FLOW (USED) IN FINANCING ACTIVITIES	**$ (2,315,883)**	**$ (117,085)**

NET (DECREASE) IN CASH	**$ (1,088,691)**	**$ (296,163)**
CASH, Beginning	**$ 3,107,213**	**$ 2,434,227**
CASH, Ending	**$ 2,018,522**	**$ 2,138,064**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 57,125	$ 105,148
Taxes	$ 176,570	$ 90,000

See notes to consolidated financial statements

Table of Contents

Deer Valley Corporation & Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 28, 2014

(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements for the three month period ended June 28, 2014 and June 29, 2013 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The unaudited financial information included in this report includes all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim period. The operations for the three and six month periods ended June 28, 2014 are not necessarily indicative of the results of the full fiscal year.

The condensed consolidated financial statements included in this report should be read in conjunction with the consolidated financial statements and notes thereto included in the Registrant s December 28, 2013 Annual Report on Form 10-K and subsequent filings on Form 10-Q and Form 8-K.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation **-** The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates - The Company s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year - The Company operates on a 52-53 week fiscal year end. Each fiscal quarter consists of 13 weeks, with an occasional fourth quarter extending to 14 weeks, if necessary.

Cash Equivalents - The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Company maintains its cash balances in two different financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. Bank deposit accounts at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Inventory Finance Notes Receivable - The Company offers inventory-secured financing for its products to qualified retail dealers and developers. Finance contracts require periodic installments of principal and interest over periods of up to 24 months. The Company periodically evaluates the collectibility of our notes receivable and considers the need to establish an allowance for doubtful accounts based upon our historical collection experience. We have established an allowance for doubtful accounts of $131,210 as of June 28, 2014 and $241,510 at June 29, 2013.

Impairment of Long-Lived Assets - Property and intangible assets are material to our consolidated financial statements. Further, these assets are subject to the potential negative effects arising from factors beyond the Company s control including changing economic conditions. The Company evaluates its tangible and definite-lived intangible assets for impairment annually during our fourth quarter or more frequently in the presence of circumstances or trends that may be indicators of impairment. The evaluation is a two step process. The first step is to compare our undiscounted cash flows, as projected over the remaining useful lives of the assets, to their respective carrying values. In the event that the carrying values are not recovered by future undiscounted cash flows, as a second step, the Company compares the carrying values to the related fair values and, if the fair value is lower, record an impairment adjustment. For purposes of fair value, the Company generally uses replacement costs for tangible fixed assets and discounted cash flows, using risk-adjusted discount rates, for intangible assets. These estimates are made by competent employees, using the best available information, under the direct supervision of our management. For tangible property, plant and equipment, there have been no changes in assumptions or methodologies in the three month period ended June 28, 2014 as compared to June 29, 2013. The Company did not have intangible assets at June 28, 2014 and June 29, 2013.

Table of Contents

In accordance with FASB Topic ASC 420 Exit on Disposal Cost Obligations , the Company evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from such assets is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair market values are primarily based on independent appraisals and preliminary or definitive contractual arrangements less costs to dispose.

Revenue Recognition - Revenue for manufactured homes sold to independent dealers generally is recorded when all of the following conditions have been met; (a) an order for the home has been received from the dealer, (b) an agreement with respect to payment terms (usually in the form of a written or verbal approval for payment has been received from the dealer s flooring institution), and (c) the home has been shipped and risk of loss has passed to the dealer and collectability is reasonably assured.

Cost of Sales - The Company s factory-built housing segment includes the following types of expenses in cost of sales: purchase and receiving costs, freight in, direct labor, supply costs, warehousing, direct and indirect overhead costs, inspection, transfer, actual and accrued warranty, depreciation, and amortization costs. The Company s financial services segment includes the following types of expenses in cost of sales: interest expense

Selling, General and Administrative - The Company includes the following types of expenses in selling, general and administrative expense: sales salaries, sales commissions, bad debt expense, advertising, administrative overhead, administrative salaries and bonuses and legal and professional fees.

Income/(Loss) Per Share - The Company uses the guidance set forth under FASB topic ASC 260, Earnings Per Share for calculating the basic and diluted loss per share. Basic income/(loss) per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding. Diluted income/(loss) per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential shares had been issued, if the additional shares were dilutive.

Income Taxes - Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

NOTE 3 - INVENTORY

Inventory consisted of the following components:

	June 28, 2014 (unaudited)	December 28, 2013
Raw Materials	$ 1,018,858	$ 891,039

Work-in-Process	271,406	223,755
Finished Goods	354,759	195,824
Total Inventory	**$ 1,645,023**	**$ 1,310,618**

NOTE 4 - INVENTORY FINANCE NOTES RECEIVABLE AND ALLOWANCE FOR LOAN LOSS

The Company offers inventory-secured financing for its products to a limited number of qualified retail dealers. Administrative services for inventory-secured financing are provided by Triad Financial Services, Inc. of Jacksonville, Florida. Finance contracts require periodic installments of principal and interest over periods of up to 24 months. These notes are secured by the inventory collateral and other security depending on borrower circumstances.

Table of Contents

Inventory finance notes receivable, net, consisted of the following:

	June 28, 2014 (unaudited)	December 28, 2013
Total Inventory finance notes receivable	$ 4,366,352	$ 6,097,188
Allowance for loan loss	(131,210)	(201,960)
	4,235,142	5,895,228
Current portion of inventory finance notes receivable	(1,819,855)	(2,607,456)
Inventory finance notes receivable, net	**$ 2,415,287**	**$ 3,287,772**

With respect to our inventory finance notes receivable, the risk of loss is spread over numerous borrowers. In addition to historical experience, borrower inventory levels and activity are monitored in conjunction with a third-party provider to estimate the potential for loss. The Company anticipates it will be able to resell any repossessed homes, thereby mitigating loss experience. If a default occurs and collateral is lost, the Company is exposed to loss of the full value of the note receivable. The Company recorded a provision/(benefit) for credit losses of $(70,750) and $(87,990) for six month periods ending June 28 2014, and June 29, 2013, respectively. The following table represents changes in the estimated allowance for loan losses:

	June 28, 2014 (unaudited)	June 29, 2013 (unaudited)
Balance at beginning of period	$ 201,960	$ 329,500
Provision/(Benefit) for credit losses	(70,750)	(87,990)
Balance at end of period	**$ 131,210**	**$ 241,510**

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

Category	**June 28, 2014 (unaudited)**	**December 28, 2013**
Accrued dealer incentive program	$ 267,930	$ 230,429
Accrued third party billings	517,643	542,079
Accrued compensation	323,094	339,743
Accrued insurance	59,504	65,197
Accrued interest	6,571	11,985

Accrued repurchase commitment (Note 10)	168,940	152,510
Other	188,006	172,067
Total Accrued Expenses	**$ 1,531,688**	**$ 1,514,010**

NOTE 6 - PRODUCT WARRANTIES

The Company provides the retail home buyer a one-year limited warranty covering defects in material or workmanship in home structure, plumbing and electrical systems. The Company s estimated warranty costs are accrued at the time of the sale to the dealer following industry standards and historical warranty cost incurred. Periodic adjustments to the estimated warranty accrual are made as events occur which indicate changes are necessary. As of June 28, 2014, the Company has recorded an accrued liability of $1,145,000 for estimated warranty costs relating to homes sold, based upon management s assessment of historical experience factors and current industry trends. Management reviews its warranty requirements at the close of each reporting period and adjusts the reserves accordingly.

Table of Contents

The following tabular presentation reflects activity in warranty reserves during the periods presented:

	For The Three Month Period Ended June 28, 2014 (unaudited)	For The Six Month Period Ended June 28, 2014 (unaudited)
Balance at beginning of period	$ 1,105,000	$ 1,185,000
Warranty charges	403,942	777,784
Warranty payments	(363,942)	(817,784)
Balance at end of period	$ 1,145,000	$ 1,145,000

NOTE 7 - REVOLVING CREDIT LOANS

Effective September 10, 2013, Deer Valley renewed its $5,000,000 Revolving Credit Loan and Security Agreement with its primary bank, used for display model financing for dealers of the products produced by DVH (the Display Model LOC) The Display Model LOC has a two year term and has a variable interest rate at 4.00% above LIBOR or 4.1545% at June 28, 2014. As of June 28, 2014, the Company had an outstanding balance of $0 under the revolving credit loan.

Effective September 10, 2013, Deer Valley renewed its $3,000,000 Revolving Credit Loan and Security Agreement with its primary bank, used for short term working capital financing, letters of credit and as a bridge loan on financing the sale of retail units by DVH (the Working Capital LOC). The Working Capital LOC has a two year term and has a variable interest rate at 2.50% above LIBOR or 2.6545% at June 28, 2014. As of June 28, 2014, the Company had an outstanding balance of $825,000 under the revolving credit loan.

Effective April 12, 2013 Deer Valley entered into a $2,500,000 Revolving Credit Loan and Security Agreement with its primary bank, used for funding construction-to-permanent loans prior to the issue of a certificate of occupancy and ultimate resale of the loan to either a private or government controlled long term financing entities. The Loan Facility has a two year term and has a variable interest rate at 4.0% above LIBOR. The loan is evidenced by a revolving credit note and secured by accounts receivable, inventory, equipment and all other tangible and intangible personal property of Deer Valley. As of June 28, 2014, the Company had an outstanding balance of $0 under the revolving credit loan.

The amount available under the revolving credit loans is equal to the lesser of $10,500,000 or an amount based on defined percentages of accounts receivable and inventories reduced by any outstanding letters of credit. At June 28, 2014, $4,610,517 was available under the revolving credit loans after deducting letters of credit of $65,000.

In addition to the revolving line of credit described in the preceding paragraph, DVH, during its normal course of business, is required to issue irrevocable standby letters of credit in the favor of independent third party beneficiaries to cover obligations under insurance policies. As of June 28, 2014, no amounts had been drawn on the above irrevocable letters of credit by the beneficiaries.

NOTE 8 - LONG TERM DEBT

On May 26, 2006, DVH entered into a Loan Agreement with Fifth Third Bank (the Lender) providing for a loan of Two Million Dollars ($2,000,000) (the Loan) evidenced by a promissory note and secured by a first mortgage on DVH s properties in Guin, Alabama and Sulligent, Alabama, including the structures and fixtures located thereon, as well as DVH s interest in any lease thereof. The Loan had a term from May 26, 2006 through June 1, 2011 and has a variable interest rate at 2.25% above LIBOR. There is no prepayment penalty. Future advances are available under the Loan Agreement, subject to approval by the Lender. Also on May 26, 2006, the Company and DVH guaranteed the Loan. Should Deer Valley default, thereby triggering acceleration of the Loan, the Company would become liable for payment of the Loan. On June 1, 2011 Fifth Third Bank agreed to extend the maturity date on the loan until an amendment to the loan agreement could be finalized.

On July 8, 2011, DVHB and the Lender entered into that certain Amendment to Loan Agreement effective June 1, 2011, pursuant to which, among matters, (a) DVHB made a cash payment to reduce the outstanding principal balance of the Real Estate Loan to $1,256,000, (b) the term of the Real Estate Loan was extended to June 1, 2016, and (c) the variable interest rate was set at 400 basis points (4.00%) above the One-Month LIBOR-Index Rate. The Real Estate Loan is guaranteed by DVC and DVFC.

Table of Contents

NOTE 9 - INCOME TAXES

Income Taxes:

The components of the provision for income taxes are as follows:

		Six months ended June 28, 2014 (unaudited)
Current income tax (benefit)	$	(196,900)
Deferred income tax expense		188,468
Total income tax benefit	$	(8,432)

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	Six months ended June 28, 2014 (unaudited)	
	Amount	**Impact on Rate**
Income tax (benefit) at federal rate	$ (18,332)	34.00%
State tax benefit, net of Federal effect	(2,279)	4.23%
Permanent Differences:		
Meals and entertainment	10,440	-19.36%
Officer s life insurance	669	-1.24%
Total permanent differences	11,109	-20.60%
Prior period over/under accrual	1,070	-1.98%
Total income tax (benefit)	$ (8,432)	15.65%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company s net deferred income taxes are as follows:

	June 28, 2014 (unaudited)

Current Deferred Tax Assets:	
Warranty reserve	$ 437,688
Repurchase reserve	64,579
Loan loss reserve	50,156
Allowance for doubtful accounts	9,557
Inventory reserve	6,758
Total Current Deferred Tax Asset	568,738
Non-Current Deferred Tax Assets:	
Goodwill impairment	1,584,564
Total Non-Current Deferred Tax Assets	1,584,564
Current Deferred Tax Liability:	
Prepaid insurance	(48,544)
Total Current Deferred Tax Liability	(48,544)
Non-Current Deferred Tax Liability:	
Accelerated depreciation	(112,823)
Sale of assets	8,468
Total Non-Current Deferred Tax Liability	(104,355)
Total Deferred Tax Assets (Liabilities) - Net	$ 2,000,403

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation - The Company in the normal course of business is subject to claims and litigation. Management of the Company is of the opinion that, based on information available, such legal matters will not ultimately have a material adverse effect on the financial position or results of operation of the Company.

Reserve for Repurchase Commitments - DVH is contingently liable under the terms of repurchase agreements with financial institutions providing inventory financing for retailers of DVH s products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The risk of loss under these agreements is spread over numerous retailers. The price DVH is obligated to pay generally declines over the period of the agreement (typically 18 to 24 months) and the risk of loss is further reduced by the sale value of repurchased homes. The maximum amount for which the Company is contingently liable under repurchase agreements is approximately $5,631,300 at June 28, 2014. As of June 28, 2014 the Company reserved $168,940 for future repurchase losses, based on prior experience and an evaluation of dealers financial conditions. DVH to date has not experienced significant losses under these agreements, and management does not expect any future losses to have a material effect on the accompanying financial statements.

Table of Contents

NOTE 11 - EQUITY TRANSACTIONS

Common Stock Dividends - There were no dividends paid during the six month period ended June 28, 2014.

Treasury Stock - Pursuant to a common stock repurchase program approved by our Board of Directors, a total of 33,060 shares were purchased during the six month period ended June 28, 2014 at a cost of $21,284 and recorded as treasury stock.

NOTE 12 - SEGMENT INFORMATION

Our business segments consist of factory-built housing and financial services. Our chief decision making officer considers income (loss) from operations as the basis to measure segment profitability. The following table summarizes net sales, income (loss) from operations, and identifiable assets by segment for the three and six month periods ended June 28, 2014 and June 29, 2013.

	For The Three Months Ended		For The Six Months Ended	
	June 28, 2014 (unaudited)	June 29, 2013 (unaudited)	June 28, 2014 (unaudited)	June 29, 2013 (unaudited)
Revenues from external customers				
Factory-built housing	$ 7,819,601	$ 7,015,550	$ 12,891,327	$ 12,308,366
Financial services	99,631	207,927	224,976	369,662
Total revenues	$ 7,919,232	$ 7,223,477	$ 13,116,303	$ 12,678,028
Income (loss) from operations				
Factory-built housing	$ 474,443	$ 355,928	$ 93,069	$ 347,344
Financial services	117,044	185,494	148,798	228,669
General corporate expenses	(97,136)	(114,725)	(278,886)	(336,641)
Total income (loss) from operations	$ 494,351	$ 426,697	$ (37,019)	$ 239,372
Identifiable assets by segment				
Factory-built housing	$ 9,885,040	$ 9,379,680		
Financial Services	4,351,414	8,266,399		
Other	108,988	82,431		
	$ 14,345,442	$ 17,728,510		

Table of Contents

Item 2. Management s Discussion and Analysis
Cautionary Notice Regarding Forward Looking Statements

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This filing contains a number of forward-looking statements which reflect management s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words believe, expect, intend, anticipate, estimate, variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management s current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, risks discussed in our Annual Report on Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

The Company, through its wholly owned subsidiaries Deer Valley Homebuilders, Inc. (DVH), Deer Valley Financial Corp (DVFC) and Deer Valley Home Repair Services, Inc. (DVHRS), designs and manufactures factory built homes, provides dealer inventory-secured financing for our factory built homes and provides warranty and repair services for our factory built homes. The Company s manufacturing plant located in Guin, Alabama, produces homes which are marketed in 14 states through a network of independent dealers, builders, developers and government agencies located primarily in the southeastern and south central regions of the United States. Inventory-secured loan financing is offered to qualified retail dealers and developers, through DVFC.

Our business segments consist of factory-built housing and financial services. Our financial services provide qualified independent retail dealers and developers with inventory-secured financing for homes the Company produces. The Company does not maintain separate operating segments for regions and does not separately report financial information by geographic sales area because they are similar products using similar production techniques and sold to the same class of customer. See Note 12 - Segment Information of the Notes to Condensed Consolidated Financial Statements for information on our net sales, income (loss) from operations, and identifiable assets by segment for the three and six month periods ended June 28, 2014 and June 29, 2013.

Industry and Company Outlook

As a result of the great recession , the factory-built housing industry and the Company continue to operate at historically low production and shipment levels. According to data provided by the Manufactured Housing Institute

(MHI), our industry shipped approximately 60,000 HUD code homes during the calendar year 2013, compared to approximately 55,000 homes shipped in 2012 and 52,000 homes shipped in 2011.

While we are encouraged by the modest improvement in shipments of HUD code homes during the most recent three years, the manufactured housing industry and Company home sales continue to struggle due to ongoing economic challenges. Low consumer confidence levels and high unemployment and underemployment rates are

- 1 -

two of the most significant challenges affecting buyers of factory-built homes. Low consumer confidence regarding the outlook for jobs is not conducive for potential customers to commit to a home purchase. Historically, lower-income households are among the largest segments of new factory-built home purchasers. Lower-income households are particularly affected by high unemployment and underemployment rates.

Sales activity for the Company and our industry appear to be showing signs of improvement; however, a revival faces multiple obstacles, including competition from distressed sales of site-built homes, historically low interest rates resulting in record affordability of site-built homes, limited conventional financing options due to the necessity to title most manufactured homes as personal property and an undeveloped secondary market for manufactured home loans. We believe the key to full recovery in our industry depends on improved consumer confidence levels and an increased availability of consumer financing for the retail purchase of manufactured homes.

The Company s executives continue to focus on challenges faced by our industry and the general economy. (i) As part of the Company s strategic plan, management seeks to identify niche market opportunities where our custom building capabilities provide us with a competitive advantage. The Company continues to focus on the production of custom built, energy efficient, heavy built homes and has intensified efforts in innovative exterior elevations to meet the needs of homeowners, dealers and (ii) The Company continues to focus on operating activities to improve manufacturing efficiencies and maintaining a conservative cost structure. (iii) The Company continuously looks for new market opportunities and ways to expand our product offering by developing innovative product designs and production methods.

Manufacturing Operations

We produce all of our factory-built homes at our plant in Guin, Alabama. During the quarter ended June 28, 2014, our plant was staffed for a single shift; 40 hour work week and producing on average 16 floors per week or 45% of our maximum capacity of a single shift, 40 hour work week. As of June 28, 2014, our backlog of orders stood at approximately $2,950,000. Our plant is currently producing on average 17 floors per week. We have one idle plant located in Sulligent, Alabama.

When evaluating the Company s operating performance, the key performance indicators management examines are (1) the Company s production rate, in floors produced per day, (2) the cost of sales, (3) the size of the Company s sales backlog, and (4) market penetration of underserved markets. For more information on these performance indicators, please see the attached financial statements and notes thereto and the section of the Company s Annual Report on Form 10-K titled Description of Business.

Financial Operations

The Company offers inventory-secured financing for its products to a limited number of qualified retail dealers and developers. Products shipped to dealers under the Company s inventory-secured financing program are recorded by the Company as sales and the dealers obligations to the Company are reflected as inventory finance notes receivable.

Finance contracts require periodic installments of principal and interest over periods of up to twenty-four months. These notes are secured by a first priority secured interest in the inventory collateral and other security depending on borrower circumstances. Dealers who sell products utilizing inventory-secured financing are required to make immediate payment for those products to the Company upon sale to the retail customer. This type of inventory-secured financing accounts for approximately, 14% of the Company s sales for the three month period ending June 28, 2014 compared to 34% of the Company s sales for the three month period ended June 29, 2013.

Although inventory-secured financing continues to be somewhat restrictive for the industry s wholesale distribution chain, recently third party lenders have introduced finance programs subject to less financial involvement by the manufacturer. The increased third party lending has allowed the Company to begin to reduce its capital commitment in direct inventory-secured financing. Nevertheless, until greater access to credit for inventory financing becomes available participation in inventory-secured financing is still needed to maintain a portion of our distribution base.

Table of Contents

On April 11, 2014, the Company elected not to renew its agreement with CIS Financial Services, Inc., which had provided on a revolving basis, 80% of the funding for construction-to-permanent loans prior to the issue of a certificate of occupancy and ultimate resale of the loan to either private or government controlled long term financing entities.

Results of Operations

The following discussion examines the results of the Company s operations for the three and six month periods ended June 28, 2014. This discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and notes to the consolidated financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment by our management. It is also imperative that one read our December 28, 2013 Annual Report on Form 10-K and subsequent filings on Form 8-K.

HISTORICAL RESULTS - THREE AND SIX MONTH PERIODS ENDED JUNE 28, 2014 AND JUNE 29, 2013.

Revenues. Overall gross revenue for the three month period ended June 28, 2014 was $7,919,232 compared to $7,223,477 for the three month period ended June 29, 2013, representing an increase of $695,755, or approximately 9.6%. Overall gross revenue for the six month period ended June 28, 2014 was $13,116,303 compared to $12,678,028 for the six month period ended June 29, 2013, representing an increase of $438,275, or approximately 3.5%. The increase in revenue for the three and six month periods ended June 28, 2014 compared to the three and six month period ended June 29, 2013, is primarily attributable to a product mix of larger homes with greater amenities. Although we remain cautiously optimistic, several challenges such as persistently high unemployment and underemployment levels, low consumer confidence levels and the restrictive mortgage lending environment continue to hinder a recovery in the housing market.

Gross Profit. Gross profit for the three month period ended June 28, 2014 was $1,518,811 or 19.2% of total revenue compared to $1,376,590 or 19.1% of total revenue for the three month period ended June 29, 2013. Gross profit for the six month period ended June 28, 2014 was $2,189,067 or 16.7% of total revenue compared to $2,269,342 or 17.9% of total revenue for the six month period ended June 29, 2013. The decrease in gross profit for the six month period is attributable to an increase in service and warranty cost of 1.4%, which were partially offset by a decrease in raw material cost. The Company includes the following types of expenses in cost of sales: purchase and receiving costs, freight in, direct labor, supply costs, warehousing, direct and indirect overhead costs, inspection, transfer, actual and accrued warranty, depreciation, and amortization costs.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses for the three month period ended June 28, 2014 were $1,021,383 compared to $947,181 for the three month period ended June 29, 2013. Selling, general, and administrative expenses for the six month period ended June 28, 2014 were $2,220,301 compared to $2,024,231 for the six month period ended June 29, 2013. The increase in selling, general and administrative expenses for the three and six month periods primarily relates to an increase in salaries and wages and health insurance costs. The Company includes the following types of expenses in selling, general and administrative expense: sales salaries, sales commissions, bad debt expense, advertising, administrative overhead, administrative salaries and bonuses and legal and professional fees.

Net Income (Loss). The net income for the three month period ended June 28, 2014 was $296,258 compared to net income of $256,926 for the three month period ended June 29, 2013, representing an increase in net income of

$39,332. The net (loss) for the six month period ended June 28, 2014 was $(45,485) compared to net income of $127,689 for the six month period ended June 29, 2013, representing a decrease in net income of $173,174. The decrease in net income for the three month and six month periods ended June 28, 2014 compared to the three and six month periods ended June 29, 2013, is attributable to a decrease in gross profit and an increase in selling, general and administrative expenses.

Liquidity and Capital Resources

Management believes that the Company currently has sufficient cash flow from operations, available bank borrowings, cash, and cash equivalents to meet its short-term working capital requirements. The Company had $2,018,522 in cash and cash equivalents as of June 28, 2014, compared to $3,107,213 in cash and cash equivalents

Table of Contents

and short-term investments as of December 28, 2013. The decrease in cash and cash equivalents is primarily attributable to repayments of revolving credit loans and an increase in inventories and accounts receivable. Should our costs and expenses prove greater than we currently anticipate or should we change our current business plan in a manner which will increase or accelerate our anticipated costs or capital demand, such as through the acquisition of new products, our working capital could be depleted at an accelerated rate.

As of June 28, 2014, the aggregate balance on our loan facilities was $825,000. In addition, we have a commercial real estate mortgage from its primary bank that had a balance, as of June 28, 2014, of $879,200.

1 - Cash flow from operating activities:

For the six month period ended June 28, 2014, operating activities provided net cash of $1,330,927 primarily as a result of the following:

(a) a decrease in inventory finance receivable of $1,730,836 (a source of cash), and

(b) a decrease in construction loan receivable of $693,257 (a source of cash). which were partially offset by,

(c) an increase in accounts receivable of $344,142 (a use of cash), primarily as a result of a return to normal production levels subsequent to holiday shutdown period at December 28, 2013,

(d) an increase in inventories of $334,405 (a use of cash), primarily as a result of a return to normal inventory levels subsequent to holiday shutdown period at December 28, 2013,

(e) a decrease in accounts payable of $144,178 (a use of cash), primarily as a result of a return to normal production levels subsequent to holiday shutdown period at December 28, 2013, and

(f) a decrease in income taxes payable of $373,470 (a use of cash),

2 - Cash flow from investing activities:

The net cash used in investing activities for the six month period ending June 28, 2014 was $103,735, which reflects capitalization of normal operating purchases of equipment.

3 - Cash flow from financing activities:

The net cash used in financing activities for the six month period ending June 28, 2014 was $2,315,883, which is primarily attributable to a decrease in revolving credit loans of $2,231,799. The decrease in revolving credit loans is attributable to decreases in inventory finance notes receivable and construction loan notes receivable.

The Company is contingently liable under the terms of the repurchase agreements with third party financial institutions providing inventory financing for retailers of our products. For more information on the repurchase agreements, including the Company s contingent liability there under, please see Reserve for Repurchase Commitments below.

DVH, during its normal course of business, is required to provide irrevocable standby letters of credit to cover obligations under its workers compensation insurance policy in the amount of $65,000. As of June 28, 2014, no amounts had been drawn on the above irrevocable letters of credit by the beneficiaries.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. For a description of those estimates, see Note 2, Summary of Significant Accounting Policies, contained in the explanatory notes to the Company s unaudited financial statements for the quarter ended June 28, 2014, contained in this filing, and the Company s Form 10-K for December 28, 2013. On an ongoing basis, we evaluate our estimates, including those related to reserves, deferred tax assets, valuation allowances, impairment of long-lived assets, fair value of equity instruments issued to consultants for services, and estimates of costs to complete contracts. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. However, we believe that our estimates, including those for the above-described items, are reasonable.

Table of Contents

Critical Accounting Estimates

Management is aware that certain changes in accounting estimates employed in generating financial statements can have the effect of making the Company look more or less profitable than it actually is. Management believes the Company s estimates are reasonable. A summary of the most critical accounting estimates employed by the Company in generating financial statements follows below.

Warranties

We provide our retail buyers with a one-year limited warranty covering defects in material or workmanship, including plumbing and electrical systems. We record a liability for estimated future warranty costs relating to homes sold, based upon our assessment of historical experience and industry trends. In making this estimate, we evaluate historical sales amounts, warranty costs related to homes sold and timing in which any work orders are completed. The Company has accrued a warranty liability reserve of $1,145,000 on its balance sheet as of June 28, 2014, as compared to $1,080,000 as of June 29, 2013. Based on management s assessment of historical experience and current trends in wholesale shipments and dealer inventories we increased our warranty provision by $40,000 for the quarter ended June 28, 2014. Although we maintain reserves for such claims, there can be no assurance that warranty expense levels will remain at current levels or that the reserves that we have set aside will continue to be adequate. An increased number of warranty claims which exceed our current warranty expense levels could have a material adverse effect upon our results of operations.

Volume Incentives Payable

We have relied upon volume incentive payments to our independent dealers who retail our products. These volume incentive payments are accounted for as a reduction to gross sales, and are estimated and accrued when sales of our factory-built homes are made to our independent dealers. Volume incentive reserves are recorded based upon the annualized purchases of our independent dealers who purchase a qualifying amount of home products from us. We accrue a liability to our dealers, based upon estimates derived from historical payout rates. As of June 29, 2014 and June 29, 2013, we had a reserve for volume incentives payable of $267,930 and $202,962, respectively.

Reserve for Repurchase Commitments

Most of our independent dealers finance their purchases under a wholesale floor plan financing arrangement under which a financial institution provides the dealer with a loan for the purchase price of the home and maintains a security interest in the home as collateral. When entering into a floor plan arrangement, the financial institution routinely requires that we enter into a separate repurchase agreement with the lender, under which we are obligated, upon default by the independent dealer, to repurchase the factory-built home at our original invoice price less the cost of administrative and shipping expenses. Our potential loss under a repurchase obligation depends upon the estimated net resale value of the home, as compared to the repurchase price that we are obligated to pay. This amount generally declines on a predetermined schedule over a period that usually does not exceed 24 months.

The risk of loss that we face under these repurchase agreements is lessened by several factors, including the following:

(i) the sales of our products are spread over a number of independent dealers,

(ii) historically we have had only isolated instances where we have incurred a repurchase obligation, although there is no guarantee that such historical trends will continue,

(iii) the price we are obligated to pay under such repurchase agreements declines based upon a predetermined amount over a period which usually does not exceed 24 months, and

(iv) we have been able to resell homes repurchased from lenders at current market prices, although there is no guarantee that we will continue to be able to do so.

The maximum amount for which the Company is contingently liable under such agreements amounted to approximately $5,631,300 as of June 28, 2014, as compared to $1,970,000 as of June 29, 2013. As of June 29, 2014 and June 29, 2013, we had reserves of $168,940 and $78,785, respectively, established for future repurchase commitments, based upon our prior experience and evaluation of our independent dealers financial conditions. Deer Valley to date has not experienced any significant losses under these agreements; consequently, management does not expect any future losses to have a material effect on our accompanying financial statements.

Table of Contents

Allowance loan loss for Inventory Finance Notes Receivable

The Company offers inventory-secured financing for its products to qualified retail dealers and developers. Finance contracts require periodic installments of principal and interest over periods of up to 24 months. The Company periodically evaluates the collectability of our notes receivable and considers the need to establish an allowance for doubtful accounts based upon our historical collection experience. The Company had a total inventory-secured financing receivable of $4,366,352 as of June 28, 2014, as compared to $7,204,664 as of June 29, 2013. We have established an allowance for doubtful accounts of $131,210 as of June 28, 2014 and $241,510 at June 29, 2013.

The risk of loss that we face in connection with inventory-secured financing is lessened by several factors, including the following:

(i) the financing for our products are spread over a number of independent dealers,

(ii) historically we have had only isolated instances where we have had our dealers default on floor plan financing, although there is no guarantee that such historical trends will continue, and

(iii) we anticipate that we would be able to resell homes repossessed from dealers at current market prices, although there is no guarantee that we will be able to do so.

Although we maintain an allowance for doubtful accounts, there can be no assurance that such allowance will remain at current levels or that such allowances will be adequate.

Impairment of Long-Lived Assets

As previously discussed, the factory-built housing industry has experienced an overall market decline. Addressing the constriction of the retail housing market, in 2008 the Company idled its Sulligent, Alabama plant and thereafter consolidated its production operations at the Company s larger plant located in Guin, Alabama. In accordance with FASB Topic ASC 420 Exit on Disposal Cost Obligations , the Company evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from such assets is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair market values are primarily based on independent appraisals and preliminary or definitive contractual arrangements less costs to dispose. Based on our estimates of the fair value of idled facility no impairment charges are required.

Revenue Recognition

Revenue for our products sold to independent dealers are generally recorded when all of the following conditions have been met: (i) an order for the home has been received from the dealer, (ii) an agreement with respect to payment terms has been received, and (iii) the home has been shipped and risk of loss has passed to the dealer and collectability is reasonably assured.

The Company provides limited inventory-secured financing for its independent dealers. Products shipped to dealers under the Company s inventory-secured financing program are recorded by the Company as sales and the dealers obligations to the Company are reflected as inventory finance note receivables. Interest on inventory finance note receivables is recognized in the period that it is earned.

Recent accounting pronouncements

Recent accounting pronouncements - From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted by the Company as of the specified effective dates. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company s Consolidated Financial Statements upon adoption.

Table of Contents

Item 4T. Controls and Procedures
Evaluation of Disclosure Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the fiscal period ending June 28, 2014 covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that, as of the end of such period, the Company s disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Changes in Internal Controls over Financial Reporting

During the quarter ended June 28, 2014 there have been no changes in the Company s internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Inherent Limitations of the Effectiveness of Disclosure and Internal Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure control system or internal control system are met. Because of the inherent limitations of any disclosure control system or internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Although the Company in the normal course of business is subject to claims and litigation, the Company is not a party to any material legal proceeding nor is the Company aware of any circumstance which may reasonably lead a third party to initiate legal proceeding against the Company.

As of the date of this filing, there are no material pending legal or governmental proceedings relating to our Company or properties to which we are a party, and to our knowledge there are no material proceedings to which any of our directors, executive officers, or affiliates are a party adverse to us or which have a material interest adverse to us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Treasury Stock - Pursuant to a common stock repurchase program approved by our Board of Directors, a total of 33,060 shares were purchased during the six month period ended June 28, 2014 at a cost of $21,284 and recorded as treasury stock.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
Month #1				
Jan. 1 to Jan. 31, 2014	0	$ .0	0	0
Month #2				
Feb. 1 to Feb. 28, 2014	1,036	$ .65	0	0
Month #3				
March 1 to March 29, 2014	6,524	$ .65	0	0
Month #4	7,500	$ .65	0	0

March 30 to April 30, 2014				
Month #5				
May 1 to May 31, 2014	18,000	$ .64	0	0
Month #6				
June 1 to June 28, 2014	0	$	0	0
Total	33,060	$ .65	0	0

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None

Table of Contents

Item 5. Exhibits

Exhibit No.	Description
3.01	Articles of Incorporation of Deer Valley Corporation. (1)
3.02	Bylaws of Deer Valley Corporation. (1)
4.01	Certificate of Designation, Rights, and Preferences of Series A Convertible Preferred Stock. (1)
4.02	Certificate of Designation, Rights, and Preferences of Series B Convertible Preferred Stock. (1)
4.03	Certificate of Designation, Rights, and Preferences of Series C Convertible Preferred Stock. (1)
4.04	Certificate of Designation, Rights, and Preferences of Series D Convertible Preferred Stock. (1)
4.05	Certificate of Designation, Rights, and Preferences of Series E Convertible Preferred Stock. (2)
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 12, 2014. (3)
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 12, 2014. (3)
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 12, 2014. (3)
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 12, 2014. (3)
101.INS	XBRL Instance Document (3)
101.SCH	XBRL Taxonomy Extension Scheme Document (3)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (3)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (3)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (3)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (3)

(1) Previously filed as an exhibit to the Form 8-K, filed with the SEC on July 28, 2006 and incorporated herein by reference.
(2) Previously filed as an exhibit to the Form 10-QSB, filed with the SEC on November 20, 2006 and incorporated herein by reference.
(3) Filed herewith

Table of Contents

SIGNATURE

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

Deer Valley Corporation
(Registrant)

Dated: August 12, 2014

By: */s/ Charles G. Masters*
Charles G. Masters
President & Chief Executive Officer