DEER VALLEY CORP
Form 10-K
March 27, 2015
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-K**

**(Mark One)**

x **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 27, 2014**

¨ **TRANSITION REPORT UNDER 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 of Incorporation)** | **(I.R.S. employer identification no.)** |

| | |
|---|---|
| **205 Carriage Street, Guin, AL** | **35563** |
| **(Address of principal executive offices)** | **(Zip code)** |

**Registrant s telephone number, including area code: (205) 468-8400**

**Securities registered under 12(b) of the Exchange Act: None**

**Securities registered under 12 (g) of the Exchange Act: Common Stock, par value $0.001**

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

Check whether the issuer is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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, everyInteractive 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. Yes x No ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B and no disclosure will 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, a non-accelerated filer or a smaller reporting company.

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

Indicate by check mark whether the Registrant is a shell company. Yes ¨ No x

The issuer s revenues for its most recent fiscal year were $30,247,725. The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2014 was $1,745,718. As of March 1, 2015, the number of shares outstanding of the Registrant s common stock (excluding 2,397,840 shares of treasury common stock) was 15,514,344, of which 12,869,317 shares of common stock were held by affiliates.

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**DEER VALLEY CORPORATION**

**2014 FORM 10-K**

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## PART I

***Special Note Regarding Forward-Looking Statements***

Information included or incorporated by reference in this Annual Report on Form 10-K may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words may, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or ot on these words or comparable terminology.

## ITEM 1. DESCRIPTION OF BUSINESS

Unless otherwise indicated or the context otherwise requires, all references below 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. ( DVH ), an Alabama corporation formed in January 2004, Deer Valley Financial Corp ( DVFC ), a Florida corporation formed in September 2009 and Deer Valley Home Repair Services, Inc. ( DVHRS ), a Florida corporation formed in February 2012.

### General

The Company, under the name Cytation Corporation, was incorporated under the laws of Delaware on November 1, 1999. In the first quarter of 2005, the Company discontinued all prior business operations except finding an appropriate private entity with which it could acquire or merge.

During the first quarter of 2006, the Company entered into the Securities Purchase and Share Exchange Agreement, which, among other matters, resulted in the Company raising in excess of $7,400,000 in exchange for the issuance of its Series A Convertible Preferred Stock, Series A Common Stock Purchase Warrants, and Series B Common Stock Purchase Warrants ( Series A Preferred Offering ). Contemporaneous with the completion of the Series A Preferred Offering, Deer Valley Acquisition Corp ( DVA ), a wholly owned subsidiary of the Company, acquired 100% of the issued and outstanding capital stock of DVH. On July 24, 2006 the Company held a Special Meeting of Stockholders not in lieu of an annual meeting at which time it obtained the approval of an amendment to the Company s Certificate of Incorporation to change the name of the Company from Cytation Corporation to Deer Valley Corporation.

On September 3, 2014, Peerless Systems Corporation, a Delaware corporation ( Peerless ), Vicis Capital Master Fund, a Cayman Island unit trust managed by Vicis Capital, LLC ( Vicis ), and the Company, entered into a Stock Purchase Agreement (the SPA ). The transaction described in the SPA closed, and the consummation of the transaction described in the SPA occurred, effective as of October 6, 2014.

Pursuant to the terms and conditions of the SPA, (a) Vicis sold to Peerless, and Peerless purchased from Vicis, 12,310,458 shares of the Company s common stock for a purchase price of $3,600,000, and (b) the Company sold to Peerless, and Peerless purchased from the Company, 126,000 shares of the Company s common stock for a purchase price of $81,900. The purchased shares represent approximately eighty percent (80%) of the Company s issued and outstanding shares of common stock.

### Business of the Issuer

***Overview***

The Company, through its wholly owned subsidiaries DVH and DVHRS, design and manufacture factory built 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. Our financial subsidiary, DVFC, provides dealer inventory-secured financing for our factory built homes and provides bridge financing to an established mortgage originator for the funding of construction-to-permanent loans for ultimate resale.

The Company s executives continue to focus on challenges faced by our industry and the general economy. 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 and dealers. The Company continues to focus on operating activities to improve manufacturing efficiencies and maintaining a conservative cost structure. The Company continuously looks for new market opportunities and ways to expand our product offering by developing innovative product designs and production methods.

Our business segments consist of factory-built housing and financial services. Our financial services business provides qualified independent retail dealers and developers inventory-secured financing for homes the Company produces. Otherwise, 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 15 - Segment Information of the notes to Consolidated Financial Statements for information on our net sales, income from operations, and identifiable assets by segment for the periods ended December 27, 2014 and December 28, 2013.

**Manufacturing Operations**

We produce all of our factory-built homes at our plant in Guin, Alabama. During the quarter ended December 27, 2014, our plant was staffed for a single shift; 40 hour work week and producing an average of 19 floors per week or 53% of our maximum capacity of a single shift, 40 hour work week. As of December 27, 2014, our backlog of orders stood at approximately $1,675,000. We have one idle plant located in Sulligent, Alabama.

The Company manufacturers homes that are designed as primary residences ready for immediate occupancy. Most of our homes are customized at the Company s factory to the home buyers specifications. The Company has concentrated on the medium to higher priced segments of the manufactured housing market.

While our homes are constructed with many of the same components and building materials used in site-built homes, we utilize a cost-efficient assembly line manufacturing process which enables us to produce a quality home at a significantly lower cost per square foot than a traditional, site-built home. Lower costs are achieved through bulk quantity purchase of building materials, production workforce is trained and managed more efficiently and effectively than the system of contract labor typical in the construction industry. The indoor building process allows work crews to avoid delays caused by outside factors, such as inclement weather, vandalism and theft that are common at traditional home sites.

The principal raw materials used in the production of our homes include wood, wood products, panels, steel, sheetrock, vinyl siding, gypsum wallboard, fiberglass insulation, carpet, appliances, electrical items, windows, roofing materials, electrical supplies, roof trusses, and plumbing fixtures. We believe that the raw materials used in the production of our factory-built homes are readily available from a wide variety of suppliers and that the loss of any single supplier would not have a material adverse effect on our business.

Because the cost of transporting a factory-built home is significant, substantially all of our homes are sold to dealers within a 500 mile radius of our manufacturing facility. DVH arranges, at dealers expense, for the transportation of finished homes to dealer locations using independent trucking companies. Customary sales terms are cash-on-delivery or guaranteed payment from an inventory-secured financing source. Dealers or other independent installers are responsible for placing the home on site and connecting utilities.

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## Backlog of Orders and Sales Policies

Substantially all production of our factory-built homes is initiated against specific orders. As of December 27, 2014, our total backlog of orders stood at $1,675,000, compared to $1,100,000 at December 28, 2013. Dealer orders are subject to cancellation prior to commencement of production, however, because we operate in an industry where order lead times are extremely short such cancellations rarely occur. Because we initiate production against a specific product order, we do not have significant inventories of finished goods or a backlog of product orders, we do not view backlog to be indicative of the level of our future revenues.

Sales of our HUD Code homes are made to dealers either through inventory-secured financing arrangements with a financial institution, DVFC or on a cash basis. When a home is purchased, we receive payment either directly from the dealer or from a financial institution which has agreed to finance dealer purchases of our manufactured homes. As is customary in our industry, many financial institutions that finance dealer purchases require that we execute a repurchase agreement which provides that, in the event a dealer defaults on its repayment of the financing arrangement, we agree to repurchase the manufactured home from the financing institution, in accordance with a declining repurchase price schedule that is mutually agreed upon.

## Products

Most of our homes are constructed in accordance with the National Manufactured Home Construction and Safety Standards promulgated by HUD. We also produce modular homes constructed in accordance with the local building codes in effect at the point of delivery. Of the homes we produced in 2014, approximately 75% were HUD code homes and approximately 25% were modular homes. The following table sets forth certain sales information for 2014 and 2013:

| Shipments | 2014 Floors | 2014 Units | 2013 Floors | 2013 Units |
|---|---|---|---|---|
| HUD-Code | 569 | 276 | 578 | 279 |
| Modular | 210 | 92 | 186 | 78 |
| Total | 779 | 368 | 764 | 357 |

We offer a variety of different floor plans, ranging in size from approximately 840 to more than 3,000 square feet. A single section home is generally 600 to 1,300 square feet, while multi section homes built with two or more modules range from 1,400 to more than 3,000 square feet. We are constantly introducing new designs, features and accessories to appeal to changing trends and consumer feedback. Many of our homes are customized to homebuyers specifications and have features associated with site-built homes, such as central heating and air conditioning, name-brand appliances, hand laid floor tile, KCMA certified solid wood cabinets, walk-in closets, porches, 1/2 inch drywall, thermally sealed double-paned low-e windows, enhanced insulation and 2x6 exterior wall construction standards. We believe that our willingness to offer superior construction standards, energy efficient homes and customize floor plans and design features to match homebuyers preferences are principal factors which differentiate us from our competitors.

Green construction processes and environmentally-friendly building materials are part of our home building process. We offer only energy efficient, heavy built homes that exceed industry standards for construction thresholds. Managing material selections, air quality issues and recycling strategies during the manufacturing process are all part of our effective green building strategy.

Our residential home typically includes three to five bedrooms, a great room which functions as a living room, family room, and dining room, a kitchen, and two or three bathrooms and features central air conditioning and heating, a water heater, a dishwasher, a refrigerator, a microwave, a cook top/range, and an oven. We offer a wide range of colors, moldings, and finishes and provide optional features including fireplaces, wood floors, and modern kitchen counter-tops. We continue to modify and improve the design of our homes in consultation with our sales representatives and independent dealer network. We also utilize computer-aided and other design methods in an effort to continuously improve the design of our homes and to permit our customers to customize their purchases.

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The Company continues to expand its product offerings in its modular home line. The homes are currently offered in fourteen states: Alabama, Arkansas, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas and West Virginia. These modular homes include front load porch designs to accommodate the narrow lot lines typical in coastal areas. Our modular homes are constructed to withstand a 110 mile per hour wind load. In addition, we offer an optional 140 mile per hour wind load feature on our modular homes. The Company is seeking to expand into other states with new designs to fulfill the demand among builders and developers for factory-built structures. Typical features in our modular homes include heavy built construction very similar to Deer Valley Homebuilders, Inc. s other offerings. The Company will perform customization in this line of modular homes, as each builder has different needs.

Our modular homes must be constructed in accordance with the local building codes in effect at the point of delivery. These codes vary from state to state and also within states. We build our modular homes to the standards of the International Residential Code ( IRC ). The IRC has been adopted wholesale by several states and by selected localities in many others.

Due to the nature of our business, we do not have a significant formal research and development program and we do not allocate significant funds for research and development activities. Instead we rely on constant consumer feedback from our network of dealers, developers and vendors to continually review our product offerings, expand product designs, production methods and marketing strategies.

Deer Valley is focused on designing affordable factory-built homes with features and construction standards comparable to site-built homes. In addition to offering the consumer options specified in the preceding paragraph, Deer Valley generally offers extensive customization of floor plan designs and exterior elevations to meet specific customer preferences.

**Independent Dealer Network, Sales and Marketing**

As of the date of this filing, we had approximately 55 participating independent dealers marketing our factory-built homes at around 60 locations. Our independent dealers are not required to exclusively sell our homes and will typically choose to offer the products of other manufacturers in addition to ours. We do not have written exclusive agreements with our independent dealers and do not have any control over the operations of, or financial interest in, any of our independent dealers. During 2014, the Company had sales to one customer of approximately 10%. During 2013, the Company did not have sales to any one customer of greater than 10%.

The utilization of our independent dealer network has enabled us to avoid the substantial investment in management, capital, and overhead associated with company-owned sales centers. Although we do not rely upon exclusive dealer arrangements, we typically rely upon a single dealer within a given geographical market to distribute our products. We believe our strategy of selling our homes through independent dealers helps to ensure that our homes are competitive with those of other companies in terms of quality, consumer acceptability, product design, and price.

During the fiscal year ended December 27, 2014, we estimate that the percentage of our revenues by region was as follows:

| Regions | Primary States | Percentage of Revenue by Region |
|---|---|---|
| East South Central | | 43% |

| | | |
|---|---|---|
| | Alabama, Kentucky, Mississippi, Tennessee | |
| West South Central | Arkansas, Louisiana, Oklahoma, Texas | 45% |
| South Atlantic | Florida, Georgia, West Virginia | 7% |
| North Central | Kansas, Illinois, Missouri | 5% |

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Sales information provided above is merely a geographic indicator to the reader of where the Company s products are sold by region. The Company does not maintain separate operating segments and does not separately report financial information, by geographic sales area or otherwise, for separate operating segments.

**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 typically 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 accounted for approximately, 22% of the Company s sales during 2014, compared to 36% of the Company s sales during 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. 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, the Company s participation in inventory-secured financing is still needed to maintain a portion of our distribution base.

On April 12, 2013, the Company entered into a new credit arrangement with its primary bank by entering into a new Revolving Credit Loan and Security Agreement, which provided for a revolving line of credit in an amount not to exceed Two Million Five Hundred Thousand and No/100 Dollars ($2,500,000.00) (the Construction Facility ). The Construction Facility was evidenced by a revolving credit note and secured by accounts receivable, inventory, equipment and all other tangible and intangible personal property of Deer Valley. The Loan matures on June 30, 2015 and has a variable interest rate of 4.00% above LIBOR. An event of default such as non-payment of amounts when due or a breach of a covenant may accelerate the maturity date of the facility. The facility provided for conditions to meet prior to each advance, including financial ratios.

Deer Valley s financial subsidiary, DVFC used proceeds from the Construction Facility to furnish up to a total of $2.5 million dollars to CIS Financial Services, Inc. d/b/a CIS Home Loans (CIS), to provide 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.

Single-closing, construction-to-permanent mortgage is a common form of financing for new site-built homes. Often, however, it is not readily available to buyers of factory-built homes. This specific source of retail financing is important for the factory-built housing industry. Through this arrangement with CIS, Deer Valley was able to assist its dealers and homebuyers with increased availability of this type of retail financing to the buyers of factory-built homes.

On April 11, 2014, the Company elected not to renew its agreement with CIS Financial Services, Inc. Under this agreement the Company 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.

See Note 8 Revolving Credit Loans of the Notes to Consolidated Financial Statements for information on our $5,000,000 display model line of credit, $3,000,000 working capital line of credit, and the $2,500,000 Construction Facility.

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## Continuing Operations

### *Factory-Built Homes - Industry Trends*

Although, the manufactured housing industry continues to operate at historically low production and shipment levels, 2014 represents the fourth consecutive year of growth for industry shipments of HUD code homes. According to data provided by the Manufactured Housing Institute ( MHI ), our industry shipped approximately 64,000 HUD code manufactured homes for the calendar year 2014, compared to approximately 60,000 HUD code manufactured homes for the calendar year 2013.

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 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.

We believe our market and housing in general have reached bottom and continue to show signs of improvement; however, we expect that there may be periods of volatility in the future. We believe that, as employment and consumer confidence levels improve, pent-up demand will be released, and, gradually, more buyers will enter the market. We believe the key to full recovery in our business depends on these factors as well as an increased availability of consumer financing for the retail purchase of manufactured homes.

### *Warranties, Quality Control, and Service*

We endeavor to adhere to strict quality standards and continuously refine our production procedures. In addition, in accordance with the construction codes promulgated by HUD, an independent HUD-approved, third-party inspector inspects each HUD Code home for compliance during construction at our manufacturing facilities.

We provide initial home buyers with a one-year limited warranty against manufacturing defects in the home s construction. In addition, direct warranties are often provided by the manufacturers of components and appliances.

We have experienced quality assurance personnel at our manufacturing facility who provide on-site service to dealers and home buyers. We continuously work to enhance our quality assurance systems, placing high emphasis on improving the value and appeal of our homes and reducing consumer warranty claims.

### *Independent Dealer Financing*

The majority of our independent dealers finance their purchases through inventory-secured financing arrangements 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. The nation-wide credit crisis has resulted in a precipitous reduction in the availability of inventory financing for retail outlets in the factory built housing industry. In late 2008, the Company received advisories from national financial service companies which provide inventory-secured financing for the majority of the Company s independent retail dealers. Because of the worldwide volatility and disruption in the capital markets, these traditional lenders have terminated, reduced or modified their retail dealer financing programs in an effort to reduce their asset based portfolios. This reduced availability of wholesale financing has resulted in reduced sales to independent dealers and residential developers.

The Company addressed the limited availability of dealer inventory financing by the creation of DVFC. DVFC was created to provide inventory-secured loans to qualified retail dealers and developers. Through the establishment of the financial subsidiary, Deer Valley has moved to counter the credit squeeze that many of the Company s existing dealers are experiencing. The existence of DVFC also positions the Company to potentially gain shelf space at additional independent dealer sales centers in regions where the Company is not currently represented. The Company continues to fund the financial subsidiary through the reallocation of existing cash reserves in combination with funds available from its commercial bank credit facility. Administrative services for DVFC s new inventory-secured loan program are provided by a third party financial servicing company.

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In connection with an inventory-secured financing arrangement by third parties, the financial institution that provides the independent dealer financing customarily requires DVH to enter into a separate repurchase agreement with the financial institution, under which DVH is obligated, upon default by the independent dealer, to repurchase the home at the original invoice price less the cost of all damaged/missing items, plus certain administrative and shipping expenses. The repurchase agreement relates to homes located on an authorized dealer s lot and in new, sellable condition. As a result, the potential repurchase liability may be offset by the value of the repurchased house. The risk of loss which we face under these repurchase agreements is also lessened by additional factors listed under Item 7 of this filing, at Reserve for Repurchase Commitments.

DVH s contingent repurchase liability under inventory-secured financing arrangements through independent dealers was approximately $5,970,000 and $3,815,000 at December 27, 2014 and December 28, 2013, respectively. While homes repurchased by DVH under inventory-secured financing arrangements are usually sold to other dealers, no assurance can be given that DVH will be able to sell to other dealers homes which it may be obligated to repurchase in the future or that DVH will not suffer more losses with respect to, and as a consequence of, those arrangements than we have accrued in our financial statements.

***Competition***

The factory-built housing industry is highly competitive at both the manufacturing and retail levels, with competition based upon numerous factors, including total price to the dealer, customization to homeowners preferences, product features, quality, warranty repair service, and the terms of dealer and retail customer financing. We have many competitors, ranging from very large, experienced, and well-financed companies to small, specialized manufacturers. Numerous companies produce HUD Code homes and modular homes in the southeastern and south central United States, many of which are in direct competition with us. In addition, certain of our competitors provide retail customers with financing from captive finance subsidiaries.

HUD Code and modular homes also compete with other forms of housing, including site-built and prefabricated homes. Historically, HUD Code housing has had a price advantage over these other forms of housing. That advantage has deteriorated, however, as the credit market in the HUD Code housing industry has, at both the retail and wholesale levels, continued to tighten, while interest rates for site-built houses in recent years have been at historic lows, thus increasing the competitive pressures on HUD Code housing.

The capital requirements for entry as a producer in the factory-built housing industry are relatively small in comparison to potential revenue. However, entry into the industry remains a challenge due to the repurchase requirements imposed by the inventory-secured financing obtained by dealers. In addition, we believe that the qualifications for obtaining inventory financing, which are based upon the financial strength of the manufacturer and each of its dealers, have recently become more difficult to meet due to the departure of financial institutions from the market and efforts of our competitors to add dealers to their sales network.

We believe that our willingness to customize floor plans and design features to match customer preferences, offer energy efficient, heavy built homes that exceed industry standards for construction thresholds, offer inventory-secured financing to qualified dealers and developers, offer factory-provided trim-out and installation services, and provide efficient customer service differentiate us from most of our competitors in the factory-built housing industry. By focusing our manufacturing efforts exclusively on HUD Code homes and modular homes on a cost-effective basis and by relying upon our strong network of regional independent dealers within our geographical market, we have been able to minimize our administrative and marketing expenses while providing our customers with a competitively priced product that maximizes value for the purchase price paid for the home. We maintain close relationships with each of our independent dealers and carefully monitor our service responsibilities to the customers who purchase a factory-built home from us.

We compete with other manufacturers, some of which maintain their own wholesale (dealer) and retail (consumer) financing subsidiaries. Companies with greater access to inventory-secured financing and retail financing could have a significant market advantage.

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## Regulation

Deer Valley s factory-built homes are subject to a number of federal, state and local laws. Construction of HUD Code homes is governed by the National Manufactured Housing Construction and Safety Standards Act of 1974 ( 1974 Act ). In 1976, HUD issued regulations under the 1974 Act establishing comprehensive national construction standards. The HUD regulations cover all aspects of HUD Code home construction, including structural integrity, fire safety, wind loads, thermal protection, plumbing, and electrical work. Such regulations preempt conflicting state and local regulations. Our manufacturing facilities and the plans and specifications of our HUD Code homes have been approved by a HUD-designated inspection agency. An independent, HUD-approved, third-party inspector checks each of our HUD Code homes for compliance during at least one phase of construction. In 1994, HUD amended construction safety standards to improve the wind force resistance of HUD Code homes sold for occupancy in coastal areas prone to hurricanes. Failure to comply with the HUD regulations could expose us to a wide variety of sanctions, including closing our manufacturing plant. We believe that our HUD Code homes meet or surpass all present HUD requirements.

HUD Code, modular, and site-built homes are all built with oriented strand board, paneling, and other products that contain formaldehyde resins. Since February 1985, HUD has regulated the allowable concentration of formaldehyde in certain products used in factory-built homes and requires manufacturers to warn purchasers concerning formaldehyde-associated risks. We currently use materials in our factory-built homes that meet HUD standards for formaldehyde emissions and that otherwise comply with HUD regulations in this regard. In addition, certain components of factory-built homes are subject to regulation by the Consumer Product Safety Commission ( CPSC ), which is empowered to ban the use of component materials believed to be hazardous to health and to require the manufacturer to repair defects in components of its homes. The CPSC, the Environmental Protection Agency, and other governmental agencies are evaluating the effects of formaldehyde. In February 1983, the Federal Trade Commission adopted regulations requiring disclosure of HUD Code home s insulation specifications.

Our HUD Code and modular homes are also subject to local zoning and housing regulations. Utility connections are subject to state and local regulation, which must be followed by the dealer or other person installing the home. A number of states require HUD Code and modular home producers to post bonds to ensure the satisfaction of consumer warranty claims. Several states have adopted procedures governing the installation of HUD Code and modular homes. We have complied with these requirements in each of the states in which we operate.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank Act ) was passed into law. The Dodd-Frank Act is a sweeping piece of legislation, and the financial services industry is still assessing its implications. Congress detailed some significant changes, but the Dodd-Frank Act leaves many details to be determined by regulation and further study. The full impact will not be fully known for months or even years, as regulations that are intended to implement the Dodd-Frank Act are adopted by the appropriate agencies, and the text of the Dodd-Frank Act is analyzed by impacted stakeholders and possibly the courts. The Dodd-Frank Act established the Consumer Finance Protection Bureau ( CFPB ) to regulate consumer financial products and services. On January 10, 2013 the CFPB released certain mortgage finance rules required under the Dodd-Frank Act. These rules define standards for origination of Qualified Mortgages, establish specific requirements for lenders to prove borrowers ability to repay loans, and outline the conditions under which Qualified Mortgages will be subject to safe harbor limitations on liability to borrowers. The rules became effective January 10, 2014 apply to consumer credit transactions secured by a dwelling, which include chattel-only loans (manufactured home without land). The rules also establish interest rate and other cost parameters for determining which Qualified Mortgages fall under safe harbor protection. Among other issues, Qualified Mortgages with interest rates and other costs outside the limits will be rebuttable by borrowers and expose the lender and its assignees (including investors in loans, pools of loans, and instruments secured by loans or loan pools) to litigation and penalties. While many manufactured homes are currently financed with agency-conforming mortgages in which the ability to repay is verified and at interest rates and other costs that would be within the safe harbor limits, a significant amount of loans as currently written, especially chattel loans and non-conforming land-home loans, would fall outside the safe harbor. After the rules are in effect, lenders may become reluctant to write such loans, and investors reluctant to own or participate in owning such loans because of the uncertainty of potential litigation and other costs. If so, some prospective buyers of manufactured homes may be unable to secure financing necessary to complete purchases. In addition, compliance with the law may be costly from

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implementation of new processes, procedures, controls and infrastructure which may be required to comply with the regulations. Compliance may also create operational constraints and place limits on pricing. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on our business and results of operations.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, was passed into law. As enacted, the Health Reform Law reforms, among other things, certain aspects of health insurance. The Health Reform Law could increase our healthcare costs, adversely impacting the Company s earnings.

There are no special or unusual environmental laws or regulations which require us to make material expenditures or which can be expected to materially impact the operation of our business.

**Patents and Licenses**

We do not rely upon any significant patent rights, licenses or franchises under the trademarks or patents of any other person or entity in conducting our business. While DVH utilizes the mark Deer Valley and Deer Valley Homebuilders as Company trademarks in marketing its factory-built homes, we do not own any trademarks or patents registered with the United States Patent and Trademark Office. However, we have applied for trademark protection for Deer Valley Homebuilders, Inc. with the United States Patent and Trademark Office.

**Employees**

As of December 27, 2014, we had 185 employees, all of whom are full-time. None of our employees are represented by a labor union and we consider our relationships with our employees to be good.

**ITEM 2. DESCRIPTION OF PROPERTY**

The Company s executive offices are located at 205 Carriage Street, Guin, AL 35570. The telephone number at the Company s executive offices is (205) 468-8400. DVH s principal manufacturing plant and offices are located at 205 Carriage Street, Guin, Alabama 35563 (the Guin Property ), and its telephone number is (205) 468-8400. DVH s principal manufacturing plant and company offices consist of a manufacturing plant with 107,511 square feet, a frame shop with 10,800 square feet, material shed of 23,172 square feet and offices with 11,250 square feet of space. DVH owns the buildings and 25.5 acres underlying these facilities. DVH has executed a mortgage on the Guin Property in favor of a national bank. In addition, DVH owns an idled manufacturing facility with a 65,992 square foot manufacturing plant located on approximately 13 acres of land in Sulligent, Alabama (the Sulligent Property ). The Sulligent Property was idled in September 2008.

We believe that the general physical condition of our manufacturing facilities and executive offices is adequate to satisfy our current production needs. Accordingly, there are no present plans to improve or develop any of the unimproved or undeveloped portions of the Guin or Sulligent Properties.

Except for ownership of the manufacturing facilities we occupy or intend to occupy, we do not invest in real estate or real estate mortgages. It is not our policy to acquire properties for capital gain or rental income. In our opinion, we have sufficient property insurance for our property.

**ITEM 3. 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.

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## ITEM 4. MINE SAFETY DISCLOSURES

None

## PART II

## ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND REGISTANT REPURCHASES OF SECURITIES

**Market Information**

Our common stock trades on the OTC Bulletin Board under the trading symbol DVLY. The figures set forth below reflect the quarterly high and low bid information for shares of our common stock during the last two fiscal years, as reported by the OTC Bulletin Board. These quotations reflect inter-dealer prices without retail markup, markdown, or commission, and may not represent actual transactions. Please note that the board of directors approved a two-for-one stock dividend on November 4, 2005, payable to shareholders of record as of November 14, 2005, which doubled the numbers of shares outstanding.

| | High | Low |
|---|---|---|
| **2013 Quarter Ended** | | |
| March 30, 2013 | $ .65 | $ .60 |
| June 29, 2013 | $ .80 | $ .60 |
| September 28, 2013 | $ .65 | $ .59 |
| December 28, 2013 | $ .66 | $ .65 |
| **2014 Quarter Ended** | | |
| March 29, 2014 | $ .75 | $ .65 |
| June 28, 2014 | $ 1.00 | $ .60 |
| September 27, 2014 | $ .95 | $ .60 |
| December 27, 2014 | $ .85 | $ .65 |

RULES GOVERNING LOW-PRICE STOCKS THAT MAY AFFECT ABILITY TO RESELL SHARES. Our common stock is subject to certain rules adopted by the SEC that regulate broker-dealer practices in connection with transactions in penny stocks . Penny stocks generally are securities with a price of less than $ 5.00 other than securities registered on certain national exchanges or quoted on the NASDAQ system, provided that the exchange or system provides current price and volume information with respect to transaction in such securities. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares which could limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

The penny stock rules require broker-dealers, prior to a transaction in a penny stock not otherwise exempt from the rules, to make a special suitability determination for the purchaser to receive the purchaser s written consent to the transaction prior to sale, to deliver standardized risk disclosure documents prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. In addition, the penny stock regulations require the broker-dealer to deliver prior to any transaction involving the penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with the respect to the penny stock held in a customer s account and information with respect to the limited market in penny stocks.

**Holders Of Common Stock**

On March 1, 2015, there were 305 registered holders or persons otherwise entitled to hold our common shares pursuant to a shareholders list provided by our transfer agent, Computershare Investor Services, N.A. The number of registered shareholders excludes any estimate by us of the number of beneficial owners of common shares held in street name.

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**Dividends**

We have not declared or paid any cash dividends on our common stock since our inception, and our Board of Directors currently intends to retain all earnings for use in the business for the foreseeable future. Any future payment of dividends to holder of common stock will depend upon our results of operations, financial condition, cash requirements, and other factors deemed relevant by our Board of Directors.

**Securities Authorized For Issuance Under Equity Compensation Plans**

**EQUITY COMPENSATION PLAN INFORMATION**

| Plan Category | Number of securities to be issued upon exercise of outstanding option, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | | | |
| Equity compensation plans not approved by security holders | | | 1,800,000 |
| Total | | | 1,800,000 |

On September 7, 2007, the Company s Board of Directors ratified the Company s 2007 Long Term Incentive Plan (the 2007 Incentive Plan ). The 2007 Incentive Plan was effective as of July 1, 2007. A maximum of 1,800,000 shares of common stock has been authorized to be issued under the 2007 Incentive Plan in connection with the grant of awards, subject to adjustment for corporate transactions, including, without limitation, any stock dividend, forward stock split, reverse stock split, merger or recapitalization. Of this amount, no more than 1,000,000 shares of common stock may be issued as incentive stock options.

The Company did not issue any stock options or warrants pursuant to an equity compensation plan during 2014 or 2013. There were no outstanding stock options as of December 27, 2014 and December 28, 2013.

**Recent Sales of Unregistered Securities**

Except as reported in previous filings, we did not sell any securities in transactions which were not registered under the Securities Act in the fiscal year ended December 27, 2014.

**ITEM 6. SELECTED FINANCIAL DATA**. Not Applicable.

**ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**
**Management s Discussion and Analysis of Financial Condition and Results of Operations**

***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, the risks to be discussed in our Registration Statement on Form SB-2 filed on April 19, 2006, as subsequently amended or supplemented, and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors which may affect our business. 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 DVH and DVHRS, designs and manufactures factory built 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. Our financial subsidiary, DVFC, provides dealer inventory-secured financing for our factory built homes and provides bridge financing to an established mortgage originator for the funding of construction-to-permanent loans for ultimate resale.

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 developers (ii) Management has addressed the limited availability of dealer inventory financing with the establishment of its wholly owned subsidiary, DVFC. The subsidiary was created to provide inventory-secured loans to qualified retail dealers and developers. (iii) Management has addressed a need for consumer financing by teaming with an established mortgage originator to increase the availability of affordable loans for qualified retail buyers of factory-built homes. (iv) The Company continues to focus on operating activities to improve manufacturing efficiencies and maintaining a conservative cost structure. (v) The Company continually looks for new market opportunities and expanding our product offering by developing product designs and production methods.

Our business segments consist of factory-built housing and financial services. Our financial services business provides qualified independent retail dealers and developers inventory-secured financing for homes the Company produces. Otherwise, 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 15 - Segment Information of the notes to Consolidated Financial

Statements for information on our net sales, income from operations, and identifiable assets by segment for the periods ended December 27, 2014 and December 28, 2013.

## Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our 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. Information for the year ended December 27, 2014 and year ended December 28, 2013 is that of the Company on a consolidated basis with DVH, DVFC and DVHRS.

***Revenues.*** The Company had gross revenues of $30,247,725 in fiscal year 2014, as compared to $28,937,716 in fiscal year 2013. Accordingly, revenues increased $1,310,009 or an increase of 4.5% compared to the prior year. The increase in revenue for 2014, is primarily attributable to an increase in the average wholesale price per unit in 2014 compared to prior year. Our average wholesale price per unit increased to approximately $81,100 in fiscal year 2014, as compared to $79,000 in fiscal year 2013. The increase in the average wholesale price is primarily the result of a change in the product mix. Our product mix in 2014 featured a greater percentage of modular homes and homes featuring innovative exterior elevations. Although we remain cautiously optimistic, several challenges such as persistently high unemployment levels and low consumer confidence levels continue to hinder a recovery for our industry and the Company s sales.

***Gross Profit.*** Gross profit was $5,752,470 or 19.2% of total revenue for 2014, compared to $5,542,376 or 19.2% of total revenue for 2013. 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 fiscal year ending December 27, 2014 were $4,692,077, compared to $4,158,080 for the fiscal year 2013. Selling, general and administrative cost increased $533,997 for the fiscal year ending December 27, 2014, in comparison to the corresponding period for 2013. The increase in our selling, general and administration expenses is primarily due to an increase in salaries and wages and insurance costs compared to the same corresponding period for 2013. 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.

***Operating Income.*** Operating income is derived by deducting cost of revenue, depreciation and amortization and selling, general and administration expenses from total revenue. Operating income for 2014 was $1,060,393 compared to $1,384,296 in 2013. Accordingly, operating income decreased $323,903 compared to the prior year. The decrease was due to the increase in selling, general and administrative expenses discussed above.

***Income Tax Expense.*** An income expense of $374,278 was recognized for the year ended December 27, 2014, compared to an income tax expense of $528,546 for the year ended December 28, 2013. See Note 11 Income Taxes of the notes to Consolidated Financial Statements for additional disclosure data.

***Net Income.*** The net income for 2014 was $651,139 or .04 per diluted share, compared to net income of $815,233, or ..05 per diluted share, in 2013.

## 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 $4,116,101 in cash and cash equivalents as of December 27, 2014, compared to $3,107,213 in cash and cash equivalents as of December 28, 2013. The increase in cash and cash equivalents is primarily attributable to the decrease in our inventory finance receivable. Although inventory-secured financing continues to be in short supply for the industry s wholesale distribution chain, recently a national lender introduced finance programs subject to less financial involvement of the manufacturer. The increased flexibility has allowed the Company to begin to reduce its involvement in direct inventory-secured financing. Nevertheless, until greater access to credit for inventory financing becomes available participation in inventory-secured financing is needed to maintain our distribution base. Should our costs and expenses prove to be 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.

For the fiscal year ended December 27, 2014, our operating activities provided net cash of $4,473,346, as compared to our operating activities provided net cash of $2,859,056 for fiscal year ended December 28, 2013. Our significant change in cash flow is primarily attributable to a decrease in our participation in inventory finance receivables, which was offset in part by an increase in accounts receivable and construction loan receivable.

For the fiscal year ended December 27, 2014, operating activities provided net cash of $4,473,346 primarily as a result of the following:

(a) We had net income of $651,139

Changes in our operating assets and liabilities are as follows:

(b) a decrease in inventory finance receivable of $2,480,743 (a source of cash), primarily a result a smaller percentage of sales utilizing the Company s inventory secured financing programs due to a national inventory lender returning to the market,

(c) a decrease in construction loan receivables of $693,257 (a source of cash), as result of the collection of construction-to-permanent loans, and

(d) an increase in accrued expenses of $276,422 (a source of cash).

For the fiscal year ended December 28, 2013, operating activities provided net cash of $2,859,056 primarily as a result of the following:

(a) We had net income of $815,233

Changes in our operating assets and liabilities are as follows:

(b) a decrease in inventory finance receivable of $2,177,243 (a source of cash), primarily a result a smaller percentage of sales utilizing the Company s inventory secured financing programs due to a national inventory lender returning to the market,

(c)

A decrease in inventories of $237,105 (a source of cash), primarily as a result of a decrease in finished goods inventory as a result of the holiday shutdown period, which were offset in part by

(d) an increase in accounts receivable of $478,169 (use of cash), the decrease in accounts receivable is a result of a smaller percentage of sales utilizing the Company s inventory secured financing programs due to a national inventory lender returning to the market, and

(e) an increase in construction loan receivables of $693,257 (a use of cash), as result of the initial funding of construction-to-permanent loans.

The net cash used in investing activities for the fiscal year ended December 27, 2014 was $334,196, as compared to $226,653 for the fiscal year ended December 28, 2013. The net cash used in investing activities reflects normal equipment purchases.

The net cash used in financing activities for the fiscal year ended December 27, 2014 was $3,130,262, primarily attributable to scheduled principal payments of long-term debt of $125,600 and net repayments of revolving credit loans of $3,056,799. The net cash used in financing activities for the fiscal year ended December 28, 2013 was $1,959,417, primarily attributable to (i) scheduled principal payments of long-term debt of $125,600 (ii) net repayments of revolving credit loans of $1,693,200 and (iii) purchase of treasury stock at a cost of $140,617.

The Company is contingently liable under the terms of the repurchase agreements with 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 issue irrevocable standby letters of credit to cover obligations under its workers compensation insurance policy in the amount of $65,000. As of December 27, 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 financial statements for the year ended December 27, 2014, contained in this filing. 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.

**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 does not believe that the Company or its auditors has made any material changes in accounting estimates. 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 $1,245,000 on its balance sheet as of December 27, 2014 compared with a warranty liability reserve of $1,185,000 on its balance sheet as of December 28, 2013. Based on management s assessment of historical experience and current trends in wholesale shipments and dealer inventories we increased our warranty provision by $60,000 for the fiscal year ended December 27, 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. A large number of warranty claims which exceed our current warranty expense levels could have a material adverse affect 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. Volume incentive costs represent a significant expense to us, and any significant changes in actual payouts could have an adverse affect on our financial performance. We had a reserve for volume incentives payable of $347,421 as of December 27, 2014, as compared to $230,429 as of December 28, 2013.

**Reserve for Repurchase Commitments**

Most of our independent dealers finance their purchases under a wholesale inventory-secured 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 an inventory-secured 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) we have had only isolated instances where we have incurred a repurchase obligation,

(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 $5,970,000 at December 27, 2014, as compared to $3,815,000 at December 28, 2013. As of December 27, 2014 and December 28, 2013, we had reserves of $179,065 and $116,605, respectively, established for future repurchase commitments, based upon our prior experience and evaluation of our independent dealers financial conditions. Because Deer Valley to date has not experienced any significant losses under these agreements, management does not expect any future losses to have a material effect on our accompanying financial statements.

**Impairment of Long-Lived Assets**

As previously discussed, the manufactured 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 have been recorded.

**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.

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**Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ( 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.

**Off-Balance Sheet Arrangements**

None

**Item 8. Financial Statements**

**Deer Valley Corporation & Subsidiaries**

**Consolidated Financial Statements**

**For the Years Ended December 27, 2014 and December 28, 2013**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Deer Valley Corporation & Subsidiaries

Tampa, Florida

We have audited the accompanying consolidated balance sheets of Deer Valley Corporation & Subsidiaries (the Company ) as of December 27, 2014 and December 28, 2013, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Deer Valley Corporation & Subsidiaries at December 27, 2014 and December 28, 2013, and the results of their operations and their cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

Thomas Howell Ferguson P.A.

Tallahassee, Florida

March 27, 2015

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## Deer Valley Corporation & Subsidiaries

## Consolidated Balance Sheets

| ASSETS | December 27, 2014 | December 28, 2013 |
|---|---|---|
| **Current Assets:** | | |
| Cash | $ 4,116,101 | $ 3,107,213 |
| Accounts receivable, net | 1,577,111 | 1,537,027 |
| Inventory | 1,233,480 | 1,310,618 |
| Deferred tax asset | 578,928 | 567,693 |
| Inventory finance notes receivable | 2,081,511 | 2,607,456 |
| Construction loan notes receivable | | 693,257 |
| Prepaid expenses and other current assets | 67,532 | 120,069 |
| Total Current Assets | 9,654,663 | 9,943,333 |
| **Fixed Assets:** | | |
| Property, plant and equipment, net | 2,307,495 | 2,143,707 |
| **Other Assets:** | | |
| Inventory finance notes receivable, net | 1,443,294 | 3,287,772 |
| Deferred tax asset | 1,439,538 | 1,621,179 |
| Other assets | 14,386 | 17,482 |
| Total Other Assets: | 2,897,218 | 4,926,433 |
| **Total Assets** | **$ 14,859,376** | **$ 17,013,473** |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **Current Liabilities:** | | |
| Current maturities on long term debt | $ 125,600 | $ 125,600 |
| Revolving credit loans | | 3,056,799 |
| Accounts payable | 327,775 | 364,887 |
| Accrued expenses | 1,790,432 | 1,514,010 |
| Accrued warranties | 1,245,000 | 1,185,000 |
| Income tax payable | 165,877 | 140,162 |
| Total Current Liabilities | 3,654,684 | 6,386,458 |
| **Long Term Liabilities:** | | |
| Long-term debt, net of current maturities | 690,800 | 816,400 |

| | | |
|---|---|---|
| Total Long Term Liabilities | 690,800 | 816,400 |
| **Total Liabilities** | 4,345,484 | 7,202,858 |
| **Stockholders Equity:** | | |
| Common stock, $0.001 par value, 100,000,000 shares authorized, 17,912,184 and 17,786,184 shares issued and 15,514,344 and 15,434,447 outstanding, respectively. | 17,914 | 17,788 |
| Additional paid-in capital | 33,336,067 | 33,254,293 |
| Treasury Stock, at cost; 2,397,840 and 2,351,737 shares, respectively | (1,305,378) | (1,275,616) |
| Accumulated deficit | (21,534,711) | (22,185,850) |
| **Total Stockholders Equity** | 10,513,892 | 9,810,615 |
| **Total Liabilities and Stockholders Equity** | **$ 14,859,376** | **$ 17,013,473** |

*See notes to consolidated financial statements*

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**Deer Valley Corporation & Subsidiaries**

**Consolidated Statements of Operations**

| | For the years ended December 27, 2014 | December 28, 2013 |
|---|---|---|
| **REVENUE** | $ 30,247,725 | $ 28,937,716 |
| **COST OF REVENUE** | 24,495,255 | 23,395,340 |
| **GROSS PROFIT** | 5,752,470 | 5,542,376 |
| **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES** | 4,692,077 | 4,158,080 |
| **OPERATING INCOME** | 1,060,393 | 1,384,296 |
| **OTHER INCOME (EXPENSES)** | | |
| Interest income | 461 | 535 |
| Other income | 2,200 | 2,000 |
| Interest expense | (37,637) | (43,052) |
| **TOTAL OTHER EXPENSES** | (34,976) | (40,517) |
| **INCOME BEFORE INCOME TAXES** | 1,025,417 | 1,343,779 |
| **INCOME TAX EXPENSE** | (374,278) | (528,546) |
| **NET INCOME** | **$ 651,139** | **$ 815,233** |
| **Net Income Per Share (Basic)** | **$ 0.04** | **$ 0.05** |
| **Net Income Per Share (Fully Diluted)** | **$ 0.04** | **$ 0.05** |
| **Weighted Average Common Shares Outstanding** | **15,436,518** | **15,493,116** |
| **Weighted Average Common and Common Equivalent Shares Outstanding** | **15,436,518** | **15,493,116** |

*See notes to consolidated financial statements*

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**Deer Valley Corporation & Subsidiaries**

**Consolidated Statements of Changes in Stockholders Equity**

**For the Years Ended December 27, 2014 and December 28, 2013**

| | Common | | Additional |
|---|---|---|---|
| | Shares | Amount | Paid in Capital |
| **Balance December 31, 2012** | 17,786,184 | $ 17,788 | $ 33,254,293 |
| Treasury Stock purchase at cost | | | |
| Net Income | | | |
| **Balance December 28, 2013** | **17,786,184** | **$ 17,788** | **$ 33,254,293** |
| Treasury Stock purchase at cost | | | |
| Issuance of Common Stock | 126,000 | 126 | 81,774 |
| Net Income | | | |
| **Balance December 27, 2014** | **17,912,184** | **$ 17,914** | **$ 33,336,067** |

*See notes to consolidated financial statements*

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**Deer Valley Corporation & Subsidiaries**

**Consolidated Statements of Changes in Stockholders Equity (continued)**

**For the Years Ended December 27, 2014 and December 28, 2013**

| | Treasury | | Accumulated | |
|---|---|---|---|---|
| | **Shares** | **Amount** | **Deficit** | **Total** |
| **Balance December 31, 2012** | **(2,128,523)** | **$ (1,134,998)** | **$ (23,001,083)** | **$ 9,136,000** |
| Treasury Stock purchase at cost | (223,214) | (140,618) | | (140,618) |
| Net Income | | | 815,233 | 815,233 |
| **Balance December 28, 2013** | **(2,351,737)** | **$ (1,275,616)** | **$ (22,185,850)** | **$ 9,810,615** |
| Treasury Stock purchase at cost | (46,103) | (29,762) | | (29,762) |
| Issuance of Common Stock | | | | 81,900 |
| Net Income | | | 651,139 | 651,139 |
| **Balance December 27, 2014** | **(2,397,840)** | **$ (1,305,378)** | **$ (21,534,711)** | **$ 10,513,892** |

*See notes to consolidated financial statements*

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**Deer Valley Corporation & Subsidiaries**

**Consolidated Statements of Cash Flows**

| | For the years ended December 27, 2014 | December 28, 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 651,139 | $ 815,233 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 172,607 | 212,951 |
| Gain on sale of equipment | (2,200) | (2,000) |
| Bad debt expense | (110,320) | (127,540) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in receivables | (40,084) | (478,169) |
| (Increase)/decrease in inventories | 77,138 | 237,105 |
| (Increase)/decrease in deferred tax asset | 170,406 | 332,079 |
| (Increase)/decrease in inventory finance receivable | 2,480,743 | 2,177,243 |
| (Increase)/decrease in construction loan receivable | 693,257 | (693,257) |
| (Increase)/decrease in prepayments and other | 55,634 | 5,306 |
| Increase/(decrease) in accounts payable | (37,111) | 166,971 |
| Increase/(decrease) in income tax payable | 25,715 | 82,430 |
| Increase/(decrease) in estimated services and warranties | 60,000 | 15,000 |
| Increase/(decrease) in accrued expenses | 276,422 | 115,704 |
| **CASH FLOW PROVIDED BY OPERATING ACTIVITIES** | **$ 4,473,346** | **$ 2,859,056** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of equipment | (336,396) | (228,653) |
| Proceeds from sale of property, plant and equipment | 2,200 | 2,000 |
| **CASH FLOW USED IN INVESTING ACTIVITIES** | **$ (334,196)** | **$ (226,653)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repayment of long-term debt | (125,600) | (125,600) |
| Proceeds from revolving credit loans | 5,000,000 | 16,036,287 |
| Repayments of revolving credit loans | (8,056,799) | (17,729,487) |
| Purchases of treasury stock | (29,763) | (140,617) |
| Issuance of common stock | 81,900 | |
| **CASH FLOW USED IN FINANCING ACTIVITIES** | **$ (3,130,262)** | **$ (1,959,417)** |
| **NET INCREASE IN CASH** | **$ 1,008,888** | **$ 672,986** |
| **CASH, Beginning** | **$ 3,107,213** | **$ 2,434,227** |
| **CASH, Ending** | **$ 4,116,101** | **$ 3,107,213** |

| | | | | |
|---|---|---|---|---|
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | | | |
| Cash paid during the period for: | | | | |
| Interest | $ | 86,022 | $ | 187,622 |
| Taxes | $ | 178,158 | $ | 106,008 |

*See notes to consolidated financial statements*

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**Deer Valley Corporation & Subsidiaries**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 27, 2014 and December 28, 2013**

**NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

***Nature of Operations -*** Deer Valley Corporation ( The Company ), through its wholly-owned subsidiaries, Deer Valley Homebuilders, Inc. ( DVH ), an Alabama corporation, -Deer Valley Financial Corp ( DVFC ) a Florida corporation and Deer Valley Home Repair Services, Inc. ( DVHRS ), a Florida corporation designs, manufactures and provides dealer inventory-secured financing for the Company s homes. The Company manufactures its factory-built homes at its principal manufacturing plant located in Guin, Alabama and the Company owns a separate idled manufacturing plant in Sulligent, Alabama. The Company s homes 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, a wholly owned subsidiary. The Company relies upon a team of regional sales directors and independent dealers to market the factory-built homes in retail locations.

The Company has increased its involvement in the modular segment of the factory built housing industry. The Company has targeted the production of smaller units (less than 3,000 square feet) that are readily producible, in a cost efficient manner, using the Company s existing manufacturing capabilities. The Company sells these models primarily to independent dealers, large tract developers, and government agencies. Modular homes are typically built in a factory in sections and transported to a site to be joined together on a permanent foundation. Unlike homes constructed in accordance with the Federal Manufactured Home Construction and Safety Standards ( HUD Code homes ), modular homes generally do not have integrated steel frames and axles.

***Basis of Presentation -*** This summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Company s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reclassifications -*** To maintain consistency and comparability, certain reclassifications have been made related to the prior year period to conform to the current period presentation. These reclassifications had no effect on previously reported income, net earnings or stockholders equity.

***Principles of Consolidation -*** The 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. We believe our significant estimates include, allowance for loan losses, warranty liability, dealer incentives payable, and reserve for repurchase commitments.

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***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 three 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.

***Accounts Receivable -*** Accounts receivable represent balances due from dealers. Credit risk associated with balances due from dealers is evaluated by management relative to financial condition and past payment experience. As a result of management s reviews reserves for uncollectible amounts have been recorded in the accompanying financial statements. We have established reserves for uncollectible accounts of $18,500 and $15,000 At December 27, 2014 and December 28, 2013, respectively.

***Inventories -*** Inventories are stated at the lower of cost (first-in, first-out method) or market. Work-in-process and finished goods inventories include an allocation for labor and overhead costs.

***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. These notes are secured by the inventory collateral and other security depending on borrower circumstances. 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 loan losses of $91,640 and $201,960 at December 27, 2014 and December 28, 2013, respectively. See Note 4 for further discussion regarding the Company s inventory finance notes receivable.

***Property, Plant, and Equipment -*** Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the related assets ranging from 5 to 40 years primarily using the straight-line method. Maintenance and repairs are expensed as incurred.

| **Category** | **Useful Life** |
|---|---|
| Land improvements | 10 years |
| Buildings | 40 years |
| Machinery and equipment | 5-10 years |
| Furniture and fixtures | 5-10 years |

***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 fair value is lower, records 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 for the year ended December 27, 2014 as compared to December 28, 2013. The Company did not have definite-lived intangible assets at December 27, 2014 and December 28, 2013.

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 collectibility is reasonably assured.

***Cost of Sales -*** 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.

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

***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.

The Company has adopted the provision of the Accounting Standards Codification relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service examinations or upon examination by state taxing authorities. The Company has determined that it does not have any uncertain tax positions at December 27, 2014 that it would be unable to substantiate.

***Dealer Incentive Programs -*** The Company provides rebates to dealers based upon a predetermined formula applied to the volume of homes sold to the dealer during the year. These rebates are recorded at the time the dealer sales are consummated and are recorded as a reduction of revenue.

***Advertising Costs -*** Advertising costs are charged to operations when incurred and are included in operating expenses. Advertising costs for the years ending December 27, 2014 and December 28, 2013 were $64,025 and $43,446, respectively.

***Concentration of Sales to Certain Customers -*** During 2014, the Company had sales to one customer of approximately 10%. During 2013, the Company did not have sales to any one customer of greater than 10%. These sales were made through the Company s network of independent distributors.

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***Fair Value of Financial Instruments -*** The carrying value of the Company s cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value because of the short-term nature of these instruments.

***Financial instruments -*** Financial instruments consist of cash, evidence of ownership in an entity, and contracts that both (i) impose on one entity a contractual obligation to deliver cash or another financial instrument to a second entity, or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (ii) conveys to that second entity a contractual right (a) to receive cash or another financial instrument from the first entity, or (b) to exchange other financial instruments on potentially favorable terms with the first entity. Accordingly, our financial instruments consist of cash and cash equivalents, accounts receivable, inventory finance notes receivable, accounts payable, accrued liabilities and long term debt.

***Earning (Loss) Per Share -*** The Company uses the guidance set forth under FASB topic ASC 260, *Earnings Per Share* for calculating the basic and diluted income per share. Basic income per share is computed by dividing income attributable to common shareholders by the weighted average number of common shares outstanding. Diluted income per share is computed similarly to basic income 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 and if the additional shares were dilutive.

| | For the years ended | |
|---|---|---|
| | **December 27, 2014** | **December 28, 2013** |
| **Income attributable to common shareholders** | $ 651,139 | $ 815,233 |
| **Weighted average shares outstanding:** | | |
| **Basic** | 15,436,518 | 15,493,116 |
| **Diluted** | 15,436,518 | 15,493,116 |
| **Income per share:** | | |
| **Basic** | $ 0.04 | $ 0.05 |
| **Diluted** | $ 0.04 | $ 0.05 |

The Company has no dilutive common stock equivalent shares at December 27, 2014 and December 28, 2013.

## NOTE 3 - INVENTORY

Inventory consisted of the following components:

| | **December 27, 2014** | **December 28, 2013** |
|---|---|---|
| Raw Materials | $ 883,363 | $ 891,039 |
| Work-in-Process | 305,689 | 223,755 |
| Finished Goods | 44,428 | 195,824 |

| | | |
|---|---|---|
| **Total Inventory** | $ 1,233,480 | $ 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 and developers. 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.

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

| | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Inventory finance notes receivable | $ 3,616,445 | $ 6,097,188 |
| Allowance for loan loss | (91,640) | (201,960) |
| | 3,524,805 | 5,895,228 |
| Current portion of inventory finance notes receivable | (2,081,511) | (2,607,456) |
| Inventory finance notes receivable, net | $ 1,443,294 | $ 3,287,772 |

With respect to our inventory finance notes receivable, 80% of the risk of loss is spread over four borrowers as of December 27, 2014, compared to 11 borrowers as of December 28, 2013. 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 the loss of the full value of the note receivable. The Company recorded a benefit for credit losses of $110,320 and $127,540 for years ending December 27, 2014 and December 28, 2013, respectively. The following table represents changes in the estimated allowance for loan losses:

| | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Balance at beginning of period | $ 201,960 | $ 329,500 |
| Benefit for credit losses | (110,320) | (127,540) |
| Balance at end of period | $ 91,640 | $ 201,960 |

**NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT**

Property, Plant and Equipment consisted of the following:

| Category | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Land and improvements | $ 423,244 | $ 481,526 |
| Buildings | 2,251,264 | 1,978,088 |
| Machinery and equipment | 1,291,703 | 1,252,748 |
| Furniture and fixtures | 192,166 | 217,060 |
| | 4,158,377 | 3,929,422 |
| Accumulated depreciation | (1,850,882) | (1,785,715) |

| | | | | |
|---|---|---|---|---|
| **Total Property, Plant, and Equipment** | **$** | **2,307,495** | **$** | **2,143,707** |

Depreciation expense totaled $172,607and $212,951for the years ended December 27, 2014 and December 28, 2013, respectively.

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## NOTE 6 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

| Category | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Accrued dealer incentive program | $ 347,421 | $ 230,429 |
| Accrued third party billings | 572,844 | 542,079 |
| Accrued compensation | 410,143 | 339,743 |
| Accrued insurance | 86,644 | 65,197 |
| Accrued interest | 3,930 | 11,985 |
| Accrued repurchase commitment | 179,065 | 152,510 |
| Other | 190,385 | 172,067 |
| **Total Accrued Expenses** | **$ 1,790,432** | **$ 1,514,010** |

## NOTE 7 - 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 December 27, 2014 and December 28, 2013, the Company has provided a liability of $1,245,000 and $1,185,000, respectively, 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. The following tabular presentation reflects activity in warranty reserves during the periods presented:

| | For the years ended | |
|---|---|---|
| | December 27, 2014 | December 28, 2013 |
| Balance at beginning of period | $ 1,185,000 | $ 1,170,000 |
| Warranty charges | 1,715,182 | 1,538,363 |
| Warranty payments | (1,655,182) | (1,523,363) |
| Balance at end of period | $ 1,245,000 | $ 1,185,000 |

## NOTE 8 - REVOLVING CREDIT LOANS

Effective September 10, 2013, Deer Valley renewed its $5,000,000 Revolving Credit Loan and Security Agreement with Fifth Third 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 4.154% and 4.16825% at December 27, 2014 and December 28, 2013, respectively. As of December 27, 2014, the

Company had no outstanding balance under the revolving credit loan. As of December 28, 2013 the Company had an outstanding balance of $750,000 under the revolving credit loan.

Effective September 10, 2013, Deer Valley renewed its Revolving Credit Loan and Security Agreement with Fifth Third 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 2.654% and 2.6824% at December 27, 2014 and December 28, 2013, respectively. As of December 27, 2014, the Company had no outstanding balance under the revolving credit loan. As of December 28, 2013 the Company had an outstanding balance of $1,725,000 under the revolving credit loan.

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Effective April 12, 2013 Deer Valley entered into a 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. On August 19, 2014 the Company closed the Loan Facility used for funding construction-to-permanent loans .

The revolving credit loans contain covenants including, but not limited to, covenants to maintain a minimum debt service coverage ratio, maintain a minimum debt to tangible net worth ratio and requiring minimum liquidity. The Company was in compliance with these covenants as of December 27, 2014 and December 28, 2013. The Company granted the Lender a security interest in all of its business assets.

The amount available under the revolving credit loans is equal to the lesser of $8,000,000 or an amount based on defined percentages of accounts receivable and inventories reduced by any outstanding letters of credit. At December 27, 2014, $3,019,048 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 December 27, 2014, no amounts had been drawn on the above irrevocable letters of credit by the beneficiaries.

## NOTE 9 - 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.

Effective June 1, 2011, DVH and the Lender entered into an amendment that extended the term of the Real Estate Loan to June 1, 2016. The Loan has a variable interest rate at 4.0% above One-Month LIBOR-Index rate. The Company, DVH and DVFC are guarantors on the Loan.

Long-term debt of the Company was as follows:

| | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Note payable to Fifth Third Bank, payable in monthly installments of $10,467 plus interest at Libor plus 4.0%, maturing on June 1, 2016, secured by all assets of the Company. | $ 816,400 | $ 942,000 |
| Less: Current portion of long-term debt | (125,600) | (125,600) |
| **Total long-term debt, net of current portion** | **$ 690,800** | **$ 816,400** |

At December 27, 2014, principal repayment requirements on long-term debt were as follows:

| For year ended December 31, | Amount |
| --- | --- |
| 2015 | 125,600 |
| 2016 | 565,200 |
| **Total repayments on long-term debt** | **$ 690,800** |

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## NOTE 10 - INCOME TAXES

The Company  s 2014 consolidated effective tax rate was 36.50% as compared to 39.33% in 2013.

The Company and its subsidiaries file income tax returns for U.S. Federal and Alabama purposes. The Company is not currently under a tax examination, but the statute of limitations has not yet expired on certain returns. The Company generally remains subject to examination of its U.S. federal income tax returns for 2011 and subsequent years as the IRS has a three year window to assess/collect taxes. In addition, the Company remains subject to examination of its Alabama income tax returns for 2011 and subsequent years. However, if required income taxes are understated by more than 25%, the statute of limitations is extended to 6 years, potentially opening the years of 2008 through 2010 as well.

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The income tax provision consists of the following:

**Income Taxes:**

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

| | 2014 | 2013 |
|---|---|---|
| Current income taxes | $ 203,874 | $ 196,466 |
| Deferred income taxes | 170,404 | 332,080 |
| Provision for income taxes | $ 374,278 | $ 528,546 |

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Amount | Impact on Rate | Amount | Impact on Rate |
| Income tax at federal rate | $ 348,642 | 34.00% | $ 456,885 | 34.00% |
| State tax, net of Federal effect | 43,334 | 4.23% | 56,788 | 4.23% |
| Permanent Differences: | | | | |
| Meals & Entertainment | 21,722 | 2.12% | 20,792 | 1.55% |
| Officers Life Insurance | 1,337 | 0.13% | 1,337 | 0.10% |
| Charitable Contribution C/F | | 0.00% | (646) | -0.05% |
| Domestic Production Activities Deduction | (22,017) | -2.15% | (25,954) | -1.94% |
| Total Permanent Differences | 1,042 | 0.10% | (4,471) | -0.34% |
| NOL Deduction | | 0.00% | (27,192) | -2.02% |
| Total Tax Credits | (27,214) | -2.65% | (20,068) | -1.49% |
| Prior Period over/under accrual | 8,475 | 0.82% | 66,612 | 4.95% |
| Rounding | (1) | 0.00% | (8) | 0.00% |
| Total Provision | $ 374,278 | 36.50% | $ 528,546 | 39.33% |

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:

| | 2014 | 2013 |
|---|---|---|
| Current Deferred Tax Assets: | | |
| Warranty Reserve | $ 475,914 | $ 452,978 |

| | | |
|---|---|---|
| Repurchase Reserve | 68,449 | 58,298 |
| Allowance for Loan Losses | 35,030 | 77,201 |
| Allowance for Doubtful Accounts | 7,072 | 5,734 |
| Inventory Reserve | 9,552 | 5,531 |
| Accrued Legal Fees | | 3,823 |
| Total Current Deferred Tax Asset | 596,017 | 603,565 |
| Non-Current Deferred Tax Assets: | | |
| Goodwill Impairment | 1,509,238 | 1,706,420 |
| Total Non-Current Deferred Tax Assets | 1,509,238 | 1,706,420 |
| Current Deferred Tax Liabilities: | | |
| Prepaid insurance | (17,089) | (35,872) |
| Total Current Deferred Tax Liabilities | (17,089) | (35,872) |
| Non-Current Deferred Tax Liability: | | |
| Accelerated Depreciation | (78,168) | (93,709) |
| Sale of Assets | 8,468 | 8,468 |
| Total Non-Current Deferred Tax Liability | (69,700) | (85,241) |
| Total Deferred Tax Assets (Net) | $ 2,018,466 | $ 2,188,872 |

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## NOTE 11 - 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.

***Accrued 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 $5,970,000 and $3,815,000 at December 27, 2014 and December 28, 2103, respectively. As of December 27, 2014 and December 28, 2013 the Company accrued $179,065 and $152,510, respectively, for future repurchase losses (included in accrued expenses) 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.

## NOTE 12 - EQUITY TRANSACTIONS

***Common Stock*** On September 3, 2014, Peerless Systems Corporation, a Delaware corporation ( Peerless ), Vicis Capital Master Fund, a Cayman Island unit trust managed by Vicis Capital, LLC ( Vicis ), and the Company, entered into a Stock Purchase Agreement (the SPA ). The transaction described in the SPA closed, and the consummation of the transaction described in the SPA occurred, effective as of October 6, 2014.

Pursuant to the terms and conditions of the SPA, (a) Vicis sold to Peerless, and Peerless purchased from Vicis, 12,310,458 shares of the Company s common stock for a purchase price of $3,600,000, and (b) the Company sold to Peerless, and Peerless purchased from the Company, 126,000 shares of the Company s common stock for a purchase price of $81,900. The purchased shares represent approximately eighty percent (80%) of the Company s issued and outstanding shares of common stock.

***Treasury Stock*** Pursuant to a Common Stock Repurchase Program approved by our Board of Directors, a total of 46,103 and 223,214 shares were purchased during the years ended December 27, 2014 and December 28, 2013 at a cost of $29,762 and $140,618 and recorded as treasury stock.

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## NOTE 13 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the Company s unaudited quarterly results of operations for the periods ended December 27, 2014 and December 28, 2013.

| | For the three month periods ended | |
|---|---|---|
| | December 27, 2014 (unaudited) | December 28, 2013 (unaudited) |
| **REVENUE** | $ 8,657,872 | $ 8,974,216 |
| **COST OF REVENUE** | 6,829,838 | 7,099,767 |
| **GROSS PROFIT** | 1,828,034 | 1,874,449 |
| **OPERATING EXPENSES:** | | |
| Selling, general and administrative | 1,240,806 | 1,112,845 |
| TOTAL OPERATING EXPENSES | 1,240,806 | 1,112,845 |
| OPERATING INCOME | 587,228 | 761,604 |
| **OTHER INCOME (EXPENSES)** | | |
| Interest income | 100 | 121 |
| Interest expense | (8,979) | (10,342) |
| TOTAL OTHER EXPENSE | (8,879) | (10,221) |
| INCOME BEFORE INCOME TAXES | 578,349 | 751,383 |
| INCOME TAX EXPENSE | (176,737) | (327,762) |
| **NET INCOME** | **$ 401,612** | **$ 423,621** |
| **Net Income Per Share (Basic)** | **$ 0.03** | **$ 0.03** |
| **Net Income Per Share (Fully Diluted)** | **$ 0.03** | **$ 0.03** |
| **Weighted Average Common Shares Outstanding** | **15,436,518** | **15,493,116** |
| **Weighted Average Common and Common Equivalent Shares Outstanding** | **15,436,518** | **15,493,116** |

## NOTE 14 - SEGMENT INFORMATION

Our business segments consist of factory-built housing and financial services. Our chief decision making officer considers income from operations as the basis to measure segment profitability. The following table summarizes net sales, income from operations, and identifiable assets by segment for the years ended December 27, 2014 and December 28, 2013.

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| | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Revenues from external customers | | |
| Factory-built housing | $ 29,852,273 | $ 28,252,606 |
| Financial Services | 395,452 | 685,110 |
| Total Revenues | $ 30,247,725 | $ 28,937,716 |
| Income from operations | | |
| Factory-built housing | $ 1,572,740 | $ 1,497,515 |
| Financial services | 106,280 | 456,717 |
| General corporate expenses | (618,627) | (569,936) |
| Total Income from operations | $ 1,060,393 | $ 1,384,296 |
| Identifiable assets by segment | | |
| Factory-built housing | $ 10,780,242 | $ 10,125,643 |
| Financial Services | 3,798,641 | 6,763,645 |
| Other | 280,493 | 124,185 |
| | $ 14,859,376 | $ 17,013,473 |

**NOTE 15 - SUBSEQUENT EVENTS**

On February 12, 2015, Mobius Acquisition, LLC, a Delaware limited liability company ( Mobius ), through its wholly-owned subsidiary Mobius Acquisition Merger Sub, Inc. acquired all outstanding shares of Peerless for $7.00 per share through a merger under Section 251(h) of the Delaware General Corporation Law (the Merger ). As a result of the Merger, Mobius is now the sole shareholder of Peerless.

Peerless owns 12,436,458 shares of Deer Valley s common stock which is approximately eighty percent (80%) of Deer Valley s issued and outstanding common stock. As a result of the Merger, Mobius has acquired indirect (through its ownership in Peerless) majority ownership of Deer Valley. Mobius used cash to complete the Merger.

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act ), are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 27, 2014. Based upon such evaluation, the Chief Financial Officer, the principal financial officer and acting principal executive 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. We have reviewed the results of management s assessment with our audit committee.

**Management s Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision and with the participation of our management, including our chief executive officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using framework similar to criteria referenced in the initial steps of the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). We have reviewed the results of management s assessment with our Audit Committee.

A material weakness is a significant deficiency (as defined in the Public Company Accounting Oversight Board s Auditing Standard No. 2), or a combination of significant deficiencies, that results in reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of the Company s internal controls over financial reporting, management determined that there were control deficiencies that constituted material weaknesses, as described below.

* We have noted that there may be an insufficient quantity of dedicated resources and experienced personnel involved in reviewing and designing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.

* Our principal financial officer is also our current acting principal executive officer. While not being legally obligated, it is the managements view that separating the functions of principal financial officer from role of acting principal executive officer is an important entity-level control over the Company s financial statements.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management s report is not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management s report in this annual report.

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*Remediation Efforts to Address Deficiencies in Internal Control Over Financial Reporting*

As a result of the findings from the investigation and a company-led accounting review, management intends to take practical, cost-effective steps in implementing internal controls, including the following remedial measures, including:

*Interviewing and potentially hiring outside consultants that are experts in designing internal controls over financial reporting based on criteria established in Internal Control-Integrated Framework issued by COSO.

* Segregation of the duties of principal financial officer and principal executive officer.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Changes in Internal Control Over Financial Reporting**

Except the following, there was no change in our internal controls over financial reporting that occurred during the period ended December 27, 2014, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting:

Effective October 6, 2014, each of John N. Giordano and Charles G. Masters resigned as a director of the Company. John N. Giordano and Charles G. Masters did not hold any position on any committee of the board of directors of the Company at the time of their resignation. Charles G. Masters resigned as the Chief Executive Officer and President of the Company effective December 31, 2014. The resignations of John Giordano and Charles G. Masters are not the result of any disagreement with the Company on any matter relating to the Company s operations, policies or practices.

By Written Action of the Board of Directors dated September 2, 2014, the board of directors of the Company approved the increase in the size of the board of directors of the Company from five (5) directors to seven (7) directors. Effective October 6, 2014, the remaining directors appointed and elected the following individuals to fill the vacancies created by the increase in the size of the board of directors of the Company and by the resignations of John N. Giordano and Charles G. Masters: Timothy E. Brog, Kevin A. Cavanaugh, Julius Bloomston, and Damien J. Park.

As a result of the retirement of Mr. Masters effective December 31, 2014, our principal financial officer is currently acting as our principal executive officer.

On November 12, 2014, our Board of Directors established an Audit Committee.

**ITEM 9B. OTHER INFORMATION**

None.

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# PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

**Directors and Executive Officers**

As of March 1, 2015, the directors and executive officers of the Company, their ages, positions, the dates of initial election or appointment as directors or executive officers, and the expiration of their terms are as set forth in the following table.

| Name of Director / Executive Officer | Age | Position(s) | Period Served |
|---|---|---|---|
| Timothy E. Brog | 51 | Class I Director of Deer Valley Corporation | October 6, 2014 to Present (term expires at next meeting of shareholders) |
| Kevin A. Cavanaugh | 43 | Class II Director of Deer Valley Corporation | October 6, 2014 to Present (term expires at next meeting of shareholders) |
| Julius Bloomston | 47 | Class III Director of Deer Valley Corporation | October 6, 2014 to Present (term expires at next meeting of shareholders) |
| John Steven Lawler | 46 | Chief Financial Officer, Secretary and Treasurer of DVH | September 22, 2006 to Present |
| | | Class III Director of Deer Valley Corporation | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Member of the Board of Directors of DVH | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Chief Financial Officer and Executive Vice President of Deer Valley Corporation | January 27, 2009 to Present |
| | | Secretary, Treasurer and Member of Board of Directors of DVFC | August 18, 2009 to Present |
| Damien J. Park | 43 | Class III Director of Deer Valley Corporation | October 6, 2014 to Present (term expires at next meeting of shareholders) |
| Charles L. Murphree, Jr. | 53 | Vice President and Regional Sales Director of DVH | September 22, 2006 to June 30, 2012 |
| | | Vice President and General Manager of DVH | July 1, 2012 to Present |

| | | | |
|---|---|---|---|
| | | Class I Director of Deer Valley Corporation | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Member of the Board of Directors of DVH | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Member of Board of Directors of DVFC | August 18, 2009 to Present |
| Joel Stephen Logan, II | 46 | President and General Manager of DVH | September 22, 2006 to June 30, 2012 |
| | | Chief Operating Officer and Vice President of Deer Valley Corporation | July 1, 2012 to Present |
| | | Class II Director of Deer Valley Corporation | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Member of the Board of Directors of DVH | September 22, 2006 to Present (term expires at next meeting of shareholders) |
| | | Vice President and Member of Board of Directors of DVFC | August 18, 2009 to Present |

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### Experience

***Timothy E. Brog****, age 51*, was the Chairman of the Board of Directors of Peerless Systems Corporation from June 2008 to February 2015, Chief Executive Officer of Peerless from August 2010 to February 2015 and a director of Peerless from July 9, 2007 to February 2015. Mr. Brog was the Managing Director of Locksmith Capital Management LLC, the portfolio manager to Locksmith Value Opportunity Fund LP, from September 2007 to August 2010 and the Managing Director of E2 Investment Partners LLC, a special purpose vehicle to invest in Peerless, from March 2007 to July 2008. Mr. Brog was President of Pembridge Capital Management LLC, the portfolio manager of Pembridge Value Opportunity Fund LP, a deep value activist hedge fund, from June 2004 to September 2007. Mr. Brog was the Managing Director of The Edward Andrews Group Inc., a boutique investment bank, from 1996 to 2007. From 1989 to 1995, Mr. Brog was a corporate finance and mergers and acquisitions associate of the law firm, Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Brog received a J.D. from Fordham University School of Law in 1989 and a B.A. from Tufts University in 1986. Mr. Brog is a Director of Eco-Bat Technologies Limited. Mr. Brog s legal, investment banking and value investment experience position him well to serve as a director of Deer Valley.

***Kevin A. Cavanaugh***, age 43, is the Director of Communications and Public Affairs at The Leona M. And Harry B. Helmsley Charitable Trust (the Trust ), a $5 billion philanthropic foundation that funds health, education and a range of place-based initiatives. Mr. Cavanaugh joined the Trust in late 2012 and is a member of its five (5) person senior leadership team. Previously, he spent eleven (11) years at the global law firm of Davis Polk & Wardwell LLP as the Director of Business Development, leading the firm s client acquisition, marketing and communications functions. As a member of the executive staff, he was part of the leadership team that launched new practices in Corporate Governance and Dodd-Frank Regulation and new offices in Beijing, São Paulo and Madrid. Prior to Davis Polk, he was the Director of Communications at Winstar Communications, where he led all communications efforts, focusing personally on issues pertaining to Winstar Communications M&A transactions, joint ventures, private equity investments and corporate financings. Mr. Cavanaugh s experience as a senior executive at public and private organizations make him well suited to serve as a director of Deer Valley.

***Julius Bloomston***, age 47, has been the President of Right Turn Promotions, LLC from 2009 to the present. Right Turn Promotions, LLC is a full service marketing company with strong B2B relationships with nationally recognized clients and suppliers. Mr. Bloomston was a co-owner of Shapes Marketing, a privately held catalog placement agency, from 2008 to 2009. Mr. Bloomston was the owner of Synergy Marketing, LLC, a key distributor in ad specialty and promotional marketing, from 2000 to 2008. He was the Director, New Store Operations, of Just for Feet from 1996 to 1999. Mr. Bloomston has a background in the hardware industry with associations to national companies throughout the United States. Mr. Bloomston holds a Bachelor of Science in Commerce and Business Administration, majoring in Marketing from the University of Alabama in 1989.

***John Steven Lawler***, age 46, has been the Chief Financial Officer, Executive Vice President and Director of Deer Valley Corporation and Chief Financial Officer and Director of Deer Valley Homebuilders, Inc. ( DVH ) since 2006. As part of the DVH s founding group, since April 2004, Mr. Lawler, a certified public accountant, has served as Chief Financial Officer for DVH. From 2001 until 2004, he served as ERP and IT Project Manager for Cavalier Homes, Inc. From 1999 until 2001, Mr. Lawler worked as the ERP Team Leader for Financial Accounting for Cavalier Homes, Inc. Mr. Lawler holds a Bachelor of Science in Business Administration from the University of Alabama.

***Damien J. Park***, age 43, Managing Partner of Hedge Fund Solutions, LLC since 2004, President & CEO of Hibernian Partners, Inc. since 1998. Mr. Park received a MBA from Trinity College Dublin, Ireland in 1998 and a B.S. from Delaware Valley College in 1994.

***Charles L. Murphree, Jr.***, age 53, has been a member of the Board of Directors of Deer Valley Corporation and of DVH since 2006, Vice President and General Manager of Deer Valley Homebuilders, Inc. As one of the founders of DVH, since April of 2004, Mr. Murphree has served as a Corporate Director, Sales Manager and Vice President of DVH. From 2003 until 2004, Mr. Murphree served as Plant Manager for Clayton Homes, Inc. From 2000 through

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2003, Mr. Murphree worked as General Manager of the Energy and LifeStyle Divisions of Southern Energy Homes, Inc. Mr. Murphree graduated from the University of Alabama Huntsville with a Bachelor of Science in Business Administration.

***Joel Stephen Logan, II***, age 46, has been the Chief Operating Officer and Director of Deer Valley Corporation and President and Director of DVH since 2006. Mr. Logan is well-known throughout the factory-built home industry, having founded and operated two successful companies in the industry. Since leading the group which founded DVH in 2004, Mr. Logan has served as Chairman of the Board, and President of Deer Valley Homebuilders, Inc. In 1996, Mr. Logan led the group which founded a HUD Code housing company, Pinnacle Homes of Alabama. Mr. Logan served as President and General Manager of Pinnacle until the company was purchased in 1998. Following the buy-out, Pinnacle became a division of Patriot Homes of Indiana, and Mr. Logan continued as General Manager of the Pinnacle Division until 2003. Mr. Logan holds a degree in Business Administration from Mississippi State University.

**Significant Employees**

Other than the executive officers of Deer Valley named above, no other employees are required to be disclosed under this item. Because of their importance to the success of the Company, Deer Valley maintains key man life insurance policies, with Deer Valley as beneficiary, on Joel Stephen Logan II, John Steven Lawler, and Charles Murphree.

**Family Relationships**

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

**Involvement In Legal Proceedings**

To the best of our knowledge, there is no material proceeding to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company or any of its subsidiaries.

To the best of our knowledge, during the past ten years, none of our directors or executive officers were involved in any of the following: (1) any bankruptcy petition filed by or against any property or business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities or banking activities; or (4) being found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors, officers and holders of more than 10% of the Company s equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership. Based solely on a review of the forms, reports, and certificates filed with the Company by such persons, all Section 16(a) filing requirements were complied with by such persons during the most recent fiscal year.

**Code of Ethics**

The Company has not adopted a code of ethics which applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Company desires to implement board committees before adopting such a code. The Company is actively pursuing the implementation of board committees.

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**Material Changes to Nominations by Security Holders of Director Candidates**

In the past fiscal year, there has been no material change to the procedures by which security holders may recommend nominees to the registrant s board of directors.

**Audit Committee**

On November 12, 2014, our Board of Directors formed an Audit Committee comprised of Messrs. Timothy E. Brog, Kevin Cavanaugh and Damien J. Park. The purpose of the audit committee is to assist the board of directors in its oversight of management s conduct of our financial reporting process. The Board has determined that Mr. Timothy E. Brog, the Chairperson of the Audit Committee, meets the definition of Audit Committee financial expert, as such term is defined under SEC rules.

**ITEM 11. EXECUTIVE COMPENSATION**
**Summary of Executive Compensation**

The following table sets forth information regarding the compensation earned by our Chief Executive Officer and each of our most highly compensated executive officers whose total compensation exceeded $100,000 for the fiscal year ended December 27, 2014 with respect to services rendered by such persons.

**SUMMARY COMPENSATION TABLE**

| Name and Principal Position | Year | Salary | Bonus | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Non-qualified deferred compensation earnings | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|---|---|
| Charles G. Masters [1] | 2014 | $ 150,000 | | | | | | $ 110,000[6] | $ 260,000 |
| | 2013 | $ 150,000 | | | | | | $ 10,000[8] | $ 160,000 |
| Joel Stephen Logan, II | 2014 | $ 91,000 | | | | | | $ 10,000[8] | $ 101,000 |
| | 2013 | $ 91,000 | | | | | | $ 10,000[8] | $ 101,000 |
| Charles L. Murphree, Jr. | 2014 | $ 85,150 | | | | $ 126,249[2] | | $ 20,481[7] | $ 231,880 |
| | 2013 | $ 85,150 | | | | $ 126,249[3] | | $ 20,481[7] | $ 231,880 |
| John Steven Lawler | 2013 | $ 85,150 | | | | $ 91,789[4] | | $ 10,000[8] | $ 186,939 |
| | 2013 | $ 85,150 | | | | $ 91,789[5] | | $ 10,000[8] | $ 186,939 |

(1) On January 18, 2006, Mr. Masters was elected to serve as a Director, Chief Executive Officer, and President of the Company. Mr. Masters salary was $150,000 per year in 2014 and 2013. On December 31, 2014, Mr. Masters

retired as Chief Executive Officer and President of the Company.

(2) Non-equity incentive plan compensation consisted of hitch bonuses and profit-sharing arrangements described in Employment Agreements with Named Executive Officers below. Amount reflects accruals in fiscal year 2013, including a hitch bonus of $3,180 and profit-sharing of $45,600 accrued but unpaid in 2013. In 2013, Mr. Murphree was paid $44,580 as a hitch bonus, which includes $2,520 accrued but unpaid in 2012, and $66,895 in profit-sharing, which includes $31,736 accrued but unpaid in 2012.

(3) Non-equity incentive plan compensation consisted of hitch bonuses and profit-sharing arrangements described in Employment Agreements with Named Executive Officers below. Amount reflects accruals in fiscal year 2013, including a hitch bonus of $3,180 and profit-sharing of $45,600 accrued but unpaid in 2013. In 2013, Mr. Murphree was paid $44,580 as a hitch bonus, which includes $2,520 accrued but unpaid in 2012, and $66,895 in profit-sharing, which includes $31,736 accrued but unpaid in 2012.

(4) Non-equity incentive plan compensation consisted of hitch bonuses and profit-sharing arrangements described in Employment Agreements with Named Executive Officers below. Amount reflects accruals in fiscal year 2013, including a hitch bonus of $2,650 and profit-sharing of $30,400 accrued but unpaid in 2013. In 2013, Mr. Lawler was paid $37,150 as a hitch bonus, which includes $2,100 accrued but unpaid in 2012, and $44,743 in profit-sharing, which includes $21,304 accrued but unpaid in 2012.

(5) Non-equity incentive plan compensation consisted of hitch bonuses and profit-sharing arrangements described in Employment Agreements with Named Executive Officers below. Amount reflects accruals in fiscal year 2013, including a hitch bonus of $2,650 and profit-sharing of $30,400 accrued but unpaid in 2013. In 2013, Mr. Lawler was paid $37,150 as a hitch bonus, which includes $2,100 accrued but unpaid in 2012, and $44,743 in profit-sharing, which includes $21,304 accrued but unpaid in 2012.

(6) Amount relates to severance agreement and director fees in the respective fiscal year. On December 31, 2014, Mr. Masters retired as Chief Executive Officer and President of the Company. Mr. Masters was paid a lump sum payment of $100,000 per the severance agreement.

(7) Amount relates to health insurance premiums and director fees in the respective fiscal year.

(8) Amount relates to director fees in the respective fiscal year.

***Employment Agreements with Named Executive Officers***

Effective July 1, 2012, DVH entered into the First Amended and Restated Employment Agreement with Joel Stephen Logan, II. Under the terms of Mr. Logan s Employment Agreement, Mr. Logan is (a) entitled to receive a fixed annual salary of $91,000, (b) an annual discretionary compensation bonus as determined by the Board of Directors in its sole discretion, and (c) entitled to receive health benefits and coverage, as provided by DVH. The term of Mr. Logan s Employment Agreement expires on January 18, 2016. Mr. Logan is subject to a non-compete that expires on the earlier of twenty-four months after termination of employment or the end of the term.

Effective July 1, 2012, DVH entered into the First Amended and Restated Employment Agreement with Charles L. Murphree, Jr. Under the terms of Mr. Murphree s Employment Agreement, Mr. Murphree is (a) entitled to receive a fixed annual salary of $78,000 through June 4, 2013 and $91,000 for the remainder of the term, (b) entitled to receive a monthly hitch bonus of $60.00 per floor produced by DVH, (c) is eligible to participate and receive 4.5% of the net income before taxes of DVH, and (d) entitled to receive health benefits and coverage, as provided by DVH. The term of Mr. Murphree s Employment Agreement expires on January 18, 2016. Mr. Murphree is subject to a non-compete that expires on the earlier of twenty-four months after termination of employment or the end of the term.

Effective September 30, 2014, DVH entered into the Second Amended and Restated Employment Agreement with John Steven Lawler. Under the terms of Mr. Lawler s Employment Agreement, Mr. Lawler is (a) entitled to receive a fixed annual salary of $101,000 through January 18, 2016 and $116,000 for the remainder of the term, (b) entitled to receive a monthly hitch bonus of $50.00 per floor produced by DVH, (c) is eligible to participate and receive 3.0% of the net income before taxes of DVH, and (d) entitled to receive health benefits and coverage, as provided by DVH. The term of Mr. Lawler s Employment Agreement expires on May 31, 2018. Mr. Lawler is subject to a non-compete that expires on the later of one year after termination of employment or the expiration of the term.

Each of the employment agreements described above provides for severance payments, in the amount of the unpaid fixed annual salary due under the remaining term of such agreements (or twenty-four months, if the remaining term is greater than twenty-four months).

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**Outstanding Equity Awards**

The following table sets forth information concerning unexercised options, stock that has not vested and equity incentive plan awards for our Chief Executive Officer and each of our most highly compensated executive officers whose total compensation exceeded $100,000 for the fiscal year ended December 27, 2014 with respect to services rendered by such persons.

**OUSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

| | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| of Executive Officer | Number of Exercisable Securities Underlying Unexercised Options | Number of Unexercisable Securities Underlying Unexercised Options | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options | Option Exercise Price | Option Expiration Date | Number of Shares of Stock That Have Not Vested | Market Value of Shares of Stock That Have Not Vested | Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested | Eq Ince Pl Aw Marl Pay Val Unea Share Hav Ve |

**Compensation of Directors**

The following table sets forth information concerning compensation of the directors who are not included in the Summary Compensation Table or the Outstanding Equity Awards at Fiscal Year-End table above for the fiscal year ended December 27, 2014 with respect to services rendered by such persons.

**DIRECTOR COMPENSATION**

| Name | Year | Fees Earned or Paid in Cash | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|---|
| John N. Giordano[(1)] | 2014 | $ 10,000 | | | | | | $ 10,000 |
| | 2013 | $ 10,000 | | | | | | $ 10,000 |
| Shadron Stasney[(2)] | 2014 | | | | | | | |
| | 2013 | $ 10,000 | | | | | | $ 10,000 |

In addition, the Company reimburses directors for their reasonable expenses for attending Board and Board Committee meetings.

(1) Mr. Giordano resigned as a Member of the Board of Director of the Company effective October 6, 2014.
(2) Mr. Stasney resigned as a Member of the Board of Directors of the Company effective September 17, 2013.

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## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Securities Authorized for Issuance Under Equity Compensation Plans

See *Securities Authorized For Issuance Under Equity Compensation Plans* and Equity Compensation Plan Information table under Item 5 concerning the authorization and issuance of securities of the Company under an equity compensation plan.

### Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information with respect to the beneficial ownership of our capital stock as of March 1, 2015 for (i) any person whom we know to be the beneficial owner of more than 5% of our outstanding common stock (ii) each of our directors or those nominated to be directors, and executive officers and (iii) all of our directors and executive officers as a group.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

| Title of Class | Name and Address of Beneficial Owner[1] | Amount and Nature of Beneficial Ownership | Percent of Class[2] |
|---|---|---|---|
| Common Stock | Peerless Systems Corporation | 12,436,458<br>Direct Ownership[3] | 80.1% |
| Common Stock | Timothy E. Brog,<br>Member of the Board of Directors of Deer Valley Corporation | 0 | 0% |
| Common Stock | Kevin A. Cavanaugh,<br>Member of the Board of Directors of Deer Valley Corporation | 0 | 0% |
| Common Stock | Julius Bloomston,<br>Member of the Board of Directors of Deer Valley Corporation | 0 | 0% |
| Common Stock | Damien J. Park,<br>Member of the Board of Directors of Deer Valley Corporation | 0 | 0% |
| Common Stock | Joel Stephen Logan, II,<br>Member of the Board of Directors of Deer Valley Corporation and of DVH, President of DVH | 216,328<br>Direct Ownership | 1.4% |

| | | | |
|---|---|---|---|
| Common Stock | Charles L. Murphree, Jr.,<br><br>Member of the Board of Directors of Deer Valley Corporation and of DVH, Executive Vice President and General Manager of DVH | 144,353<br><br>Direct Ownership | * |
| Common Stock | John Steven Lawler,<br><br>Member of the Board of Directors of Deer Valley Corporation and of DVH, Chief Financial Officer and Executive Vice President of Deer Valley Corporation and Chief Financial Officer of DVH | 72,178<br><br>Direct Ownership | * |
| Common Stock | All executive officers and directors as a group (7 persons) | 12,869,317 | 83.0% |

* Less than 1%.

(1) Unless otherwise indicated, the mailing address of the shareholder is 205 Carriage St., Guin, Alabama 35563.

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(2) Applicable percentage of ownership is based on 15,514,344, shares of common stock (excluding 2,397,840 shares of treasury common stock) being issued and outstanding. Calculations do not include outstanding warrants or options, or other rights issued by the Company, unless the reporting person is the beneficial owner of the warrant, option, or other right. Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting of investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such persons, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted, we believe that all shares are beneficially owned and that all persons named in the table have sole voting and investment power with respect to all shares of common stock owned by them.

(3) The Board of Directors of Peerless Systems Corporation has voting and dispositive control over these shares of Common Stock owned by Peerless Systems Corporation. No single natural person can exercise voting or investment power with respect to these shares, and investment decisions with respect to these shares are made by a majority of these persons then serving on the Board of Directors of Peerless Systems Corporation. The address for Peerless Systems Corporation, 1055 Washington Blvd., 8th Floor, Stamford, Connecticut 06901.

**Change in Control and Acquisition**

On September 3, 2014, Peerless Systems Corporation, a Delaware corporation ( Peerless ), Vicis Capital Master Fund, a Cayman Island unit trust managed by Vicis Capital, LLC ( Vicis ), and Deer Valley Corporation, a Florida corporation (the Company ), entered into a Stock Purchase Agreement (the SPA ). The transaction described in the SPA closed, and the consummation of the transaction described in the SPA occurred, effective as of October 6, 2014 (the Closing Date ).

Pursuant to the terms and conditions of the SPA, (a) Vicis sold to Peerless, and Peerless purchased from Vicis, 12,310,458 shares of the Company s common stock, and (b) the Company sold to Peerless, and Peerless purchased from the Company, 126,000 shares of the Company s common stock that the Company held in treasury (collectively, the Purchase Shares ). The Purchased Shares represent approximately eighty percent (80%) of the Company s issued and outstanding shares and were acquired for an aggregate purchase price of $3,681,900. The source of funds used for the purchase price for the Purchased Shares was from cash-on-hand of Peerless.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

**Transactions with Related Persons, Promoters and Certain Control Persons**

Except as set forth below, there were no transactions during the last two fiscal years, and there are no proposed transactions to which the Company or its subsidiary was or is to become a party, in which any director, executive officer, director nominee, beneficial owner of more than five percent (5%) of any class of our stock, or members of their immediate families had, or is to have, a direct or indirect material interest.

Pursuant to the terms and conditions of the Stock Purchase Agreement dated September 3, 2014, the Company sold to Peerless, and Peerless purchased from the Company, 126,000 shares of the Company s common stock that the Company held in treasury.

John N. Giordano, a director of the Company from July 27, 2006 to October 6, 2014, is also a shareholder of Bush Ross, P.A., the Company s outside general legal counsel. The Company paid less than $75,000 for legal services during the fiscal year ending December 27, 2014.

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**Corporate Governance - Director Independence**

The Company s stock is quoted on the Over The Counter Bulletin Board, which does not have director independence requirements. Under Item 407(a) of Regulation S-K, the Company has chosen to measure the independence of its directors under the under definition of independence in the Nasdaq listing standards. Under such definition, Messrs. Kevin Cavanaugh, Julius Bloomston, Damien J. Park, and Timothy E. Brog satisfy the independence requirement.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

**Pre-Approval Policies and Procedures**

Prior to engaging our accountants to perform a particular service, our board of directors obtains an estimate for the service to be performed. All of the services described above were approved by the board of directors in accordance with its procedures.

**Audit Fees Disclosure**

The aggregate following table presents fees for professional services rendered by Thomas Howell Ferguson P.A. (THF) for the audit of our annual financial statements for 2014 and 2013 and fees billed for audit-related services, tax services and all other services rendered by THF for 2014 and 2013.

| | THF 2014 | THF 2013 |
|---|---|---|
| Audit fees (a) | $ 135,029 | $ 137,256 |
| Tax fees | $ 20,819 | $ 25,600 |
| All other fees | $ 13,910 | $ 3,729 |

(a) Fees for the audit of our annual financial statements and quarterly reviews. Includes amounts for expenses incurred during the audit.

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## ITEM 15. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.01 | Articles of Incorporation of Deer Valley Corporation (1) |
| 3.02 | Amended and Restated Bylaws of Deer Valley Corporation (12) |
| 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 C Convertible Preferred Stock (1) |
| 4.03 | Certificate of Designation, Rights, and Preferences of Series E Convertible Preferred Stock (2) |
| 10.01 | Form of Loan Agreement Real Estate Loan (3) |
| 10.02 | Form of Commercial Promissory Note Real Estate Loan (3) |
| 10.03 | Form of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (3) |
| 10.04 | Form of Guaranty of Loan, Cytation Corp. Real Estate Loan (3) |
| 10.05 | Form of Guaranty of Loan, DeerValley Acquisitions Corp. Real Estate Loan (3) |
| 10.06 | Form of Guaranty of Deer Valley Corporation 2nd Mortgage (4) |
| 10.07 | Form of Guaranty of Deer Valley Corporation Textron (4) |
| 10.08 | Deer Valley Corporation 2007 Long Term Incentive Plan effective July 1, 2007 (5) |
| 10.09 | Form of Stock Option Agreement - LTIP (5) |
| 10.10 | Revolving Credit Loan and Security Agreement - $7,500,000 Revolving Credit Loan (6) |
| 10.11 | Revolving Credit Note - $7,500,000 (6) |
| 10.12 | Revolving Credit Loan and Security Agreement - $5,000,000 Revolving Credit Loan (6) |
| 10.13 | Revolving Credit Note - $5,000,000 (6) |
| 10.14 | Amendment to Loan Agreement - Real Estate Loan (7) |
| 10.15 | Amendment to Loan Agreement - $7,500,000 Revolving Credit Loan (7) |
| 10.16 | Amendment to Loan Agreement - $5,000,000 Revolving Credit Loan (7) |
| 10.17 | Amendment to Loan Agreement Real Estate Loan (8) |
| 10.18 | Renewal Commercial Promissory Note - $1,256,000(8) |
| 10.19 | Guaranty of Loan Agreement Deer Valley Corporation (8) |
| 10.20 | Guaranty of Loan Agreement Deer Valley Finance Corporation (8) |
| 10.21 | Second Amendment to Revolving Credit Loan and Security Agreement - $5,000,000 (9) |
| 10.22 | Revolving Credit Note - $5,000,000 (9) |
| 10.23 | Second Amendment to Revolving Credit Loan and Security Agreement - $3,000,000 (9) |

| | |
|---|---|
| 10.24 | Revolving Credit Note - $3,000,000 (9) |
| 10.25 | Third Amendment to Revolving Credit Agreement - $5,000,000 (10) |
| 10.26 | Third Amendment to Revolving Credit Agreement - $3,000,000(10) |
| 10.27 | Fourth Amendment to Loan Agreement Real Estate Loan (10) |
| 10.28 | First Amended and Restated Agreement Joel Stephen Logan, II (11) |
| 10.29 | First Amended and Restated Agreement - Charles L. Murphree, Jr. (11) |
| 10.30 | Amended and Restated Agreement - John Steven Lawler (13) |
| 10.31 | Severance Agreement Charles G. Masters (14) |
| 21.01 | List of Subsidiaries of the Company. (14) |
| 31.01 | Certification of Chief Financial Officer (as principal financial officer and acting principal 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 March 27, 2014. (14) |
| 32.01 | Certification of Chief Financial Officer (as principal financial officer and acting principal executive officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 27, 2014. (14) |
| 101.INS | XBRL Instance Document (14) |
| 101.SCH | XBRL Taxonomy Extension Scheme Document (14) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (14) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (14) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document (14) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (14) |

(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) Previously filed as an exhibit to the Form 8-K filed with the SEC on June 1, 2006 and incorporated herein by reference.
(4) Previously filed as an exhibit to the Form 10-KSB, filed with the SEC on April 11, 2007 and incorporated herein by reference.
(5) Previously filed as an exhibit to the Form 10-QSB, filed with the SEC on November 6, 2007 and incorporated herein by reference.
(6) Previously filed as an exhibit to the Form 8-K filed with the SEC on October 19, 2009 and incorporated herein by reference.
(7) Previously filed as an exhibit to the Form 8-K, filed with the SEC on April 8, 2010 and incorporated herein by reference.
(8) Previously filed as an exhibit to the Form 8-K, filed with the SEC on July 12, 2011 and incorporated herein by reference.
(9) Previously filed as an exhibit to the Form 8-K, filed with the SEC on October 25, 2011 and incorporated herein by reference.
(10) Previously filed as an exhibit to the Form 8-K, filed with the SEC on April 25, 2012 and incorporated herein by reference.
(11) Previously filed as an exhibit to the Form 8-K, filed with the SEC on June 28, 2012 and incorporated herein by reference.
(12) Previously filed as an exhibit to the Form 8-K,/A filed with the SEC on October 7, 2014 and incorporated herein by reference.
(13) Previously filed as an exhibit to the Form 10-Q, filed with the SEC on November 12, 2014 and incorporated herein by reference.
(14) Filed herewith.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DEER VALLEY CORPORATION

By: */s/ John S Lawler*
John S. Lawler, Chief Financial Officer
(Acting Principal Executive Officer, Principal Financial Officer and Accounting Officer) and Director

Date: March 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Company and in the capacities indicated on March 27, 2015.

| Signature | Title |
|---|---|
| */s/ John S Lawler* | Chief Financial Officer |
| John S. Lawler | (Acting Principal Executive Officer, Principal Financial Officer and Accounting Officer) and Director |
| */s/ Joel S. Logan* | |
| Joel S. Logan, II | Director |
| */s/ Charles L Murphree* | |
| Charles L Murphree | Director |
| */s/ Timothy E Brog* | |
| Timothy E. Brog | Director |
| */s/ Kevin A Cavanaugh* | |
| Kevin A. Cavanaugh | Director |
| */s/ Julius Bloomston* | |
| Julius Bloomston | Director |

*/s/ Damien J Park*

| | |
|---|---|
| Damien J. Park | Director |