

DEER VALLEY CORP
Form 10-K
March 22, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

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)

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Florida
(State of Incorporation)

20-5256635
(I.R.S. employer

identification no.)

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

33607
(Zip code)

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

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

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

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 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.

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

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

The issuer's revenues for its most recent fiscal year were \$26,220,656. The aggregate market value of the voting and non-voting common equity held by non-affiliates as of March 1, 2013 was \$1,927,141¹. As of March 1, 2013, the number of shares outstanding of the Registrant's common stock (excluding 2,240,068 shares of treasury common stock) was 15,546,116, of which 12,793,057 shares of common stock were held by affiliates.

¹ Market value based upon sale price of \$.70 occurring on June 30, 2012. Calculation does not account for common shares issuable upon exercise of common stock purchase warrants.

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DEER VALLEY CORPORATION

2012 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 variations 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.

Business of the Issuer

Overview

The Company, through its wholly owned subsidiaries Deer Valley Homebuilders, Inc. (*DVH*), Deer Valley Financial Corp (*DVFC*) and Deer Valley Home Repair Services, Inc. (*DVHRS*), designs and manufactures factory built homes and provides dealer inventory-secured financing for our factory built homes. The Company's manufacturing plant located in Guin, Alabama, produces homes which are marketed in 13 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 for our homes is offered to qualified retail dealers and developers, through DVFC, a wholly owned subsidiary.

The Company's executives are continuing to focus on matters relating to challenges faced by our industry and the general economy:

(i) Management has been addressing the well-publicized slowdown in the housing industry by adjusting capacity and rate of production with market demand. The Company continues to monitor demand and adjust capacity based on our views of and direction of the industry. (ii) In recognition of an important trend in the housing market toward modular homes and the recurring need for emergency housing as part of the Company's strategic plan, management will continue to increase the Company's involvement in the modular segment of the factory-built housing industry. The Company continues to believe that establishing alternative

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distribution channels will add stability and position the company for growth when market conditions improve. 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 to large tract developers, government agencies and individuals through independent dealers. (iii) Management has addressed the limited availability of dealer inventory financing with the establishment of its wholly owned subsidiary, Deer Valley Finance Corp (DVFC). The subsidiary was created to provide inventory-secured loans to qualified retail dealers and developers. (iv) The Company continues to focus on operating activities to improve manufacturing efficiencies, reduce overall costs and increase gross margins.

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 31, 2012 and 2011.

Manufacturing Operations

We produce all of our factory built homes at our plant in Guin, Alabama, which normally operates on a single shift, five-day work week. The Company's average production rate was approximately 16 floors produced per week, during the fourth quarter of 2012 for the fiscal year 2012. As of December 31, 2012, our backlog of orders stood at 10 production days.

Our plant in Guin, Alabama operated at a capacity of 45% during the quarter ended December 31, 2012 and the fiscal year ended December 31, 2012. We have one idle plant located in Sulligent, Alabama.

During 2011, the Company entered into two subcontract agreements for the manufacture and delivery of a total of one-hundred manufactured homes to a governmental agency and included \$3.3 million in revenue based on deliveries on the contracts. During 2012, the Company did not manufacture or deliver any governmental agency homes.

The Company manufactures 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 HUD Code and modular 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 and 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 HUD Code and modular 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 31, 2012, our total backlog of orders stood at \$1,690,000, compared to \$1,485,000 at December 31, 2011. Dealer orders are subject to cancellation prior to commencement of production, and we do not consider our backlog to be firm orders. Because we operate in an industry where order lead times are extremely short, we do not view backlog at any point in time 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. Because we do not build significant inventories of either finished goods or raw materials and because we initiate production against a specific product order, we do not have significant inventories or a backlog of product orders.

Products

Most of our homes are constructed in accordance with the National Manufactured Home Construction and Safety Standards promulgated by HUD. Approximately 82% of the homes we produced in 2012 were HUD code homes. We also produce modular homes constructed in accordance with the local building codes in effect at the point of delivery. We offer a variety of different floor plans, ranging in size from approximately 840 to 3,030 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, carpeting, cabinets, walk-in closets, porches, 1/2 inch drywall, thermally sealed double-paned low-e windows, enhanced insulation, oak cabinets, and six inch 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.

The Company continues to expand its product offerings in its modular home line. The homes are currently offered in ten states: Alabama, Arkansas, Illinois, Kansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee 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.

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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.

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. The following table sets forth certain sales information for 2012 and 2011:

Shipments	2012 - Floors	2012 - Units	2011 - Floors	2011 - Units
HUD-Code	622	306	642	321
Modular	137	64	123	58
Government Agency			100	100
Total	759	370	865	479

Independent Dealer Network, Sales and Marketing

As of the date of this filing, we had approximately 60 participating independent dealers marketing our factory-built homes at around 70 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 2012, the Company had sales to one customer of approximately 12%. These sales were made through the Company's network of independent distributors. During 2011, the Company had sales to one customer of approximately 11%. These sales were made through the Company's network of independent distributors. In addition, during 2011, the Company entered into two separate subcontract agreements for the manufacture and delivery of a total of one-hundred manufactured homes to a governmental agency. These sales accounted for approximately 12% of total revenue during 2011.

We believe that our independent dealer network enables 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 31, 2012, we estimate that the percentage of our revenues by region was as follows:

Regions	Primary States	Percentage of Revenue by Region
East South Central	Alabama, Kentucky, Mississippi, Tennessee	37%
West South Central	Arkansas, Louisiana, Oklahoma	43%
South Atlantic	Florida, Georgia, West Virginia	10%
North Central	Kansas, Illinois, Missouri	10%

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Our sales staff communicates regularly with each independent retailer in an effort to maintain excellent relationships with our network of independent dealers. Approximately 80% of our sales were to dealers operating in the East South Central and West South Central regions.

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 require periodic installments of principal and interest over periods of up to twenty-four months. These notes are secured by a first priority secured interest in the inventory collateral and other security depending on borrower circumstances. Dealers who sell products utilizing inventory-secured financing are required to make immediate payment for those products to the Company upon sale to the retail customer. This type of inventory-secured financing accounts for approximately, 47% of the Company's sales during 2012 and 40% of the Company's sales during 2011.

Continuing Operations

Factory-Built Homes - Industry Trends

The manufactured housing industry and the Company continue to operate at low production and shipment levels. According to data provided by the Manufactured Housing Institute (MHI), our industry shipped approximately 55,000 HUD code manufactured homes for the year ended December 31, 2012, compared to approximately 52,000 HUD code manufactured homes for the year ended December 31, 2011.

The manufactured housing industry and the overall U.S. housing market continue to struggle. Ongoing economic challenges include continuing low consumer confidence levels and an overall soft demand for new homes, have been exacerbated by, among other things, a weak overall economy, high unemployment and homes that have been or will be foreclosed on due to the current economic challenges.

We believe our market and housing in general may have reached bottom; however, we expect that there may be more 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.

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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 Deer Valley Finance Corp. (DVFC), a wholly owned subsidiary. The subsidiary 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.

In connection with an inventory-secured financing arrangement, 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.

As of December 31, 2012, DVH's contingent repurchase liability under inventory-secured financing arrangements through independent dealers was approximately \$2,657,000. 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.

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The capital requirements for entry as a producer in the factory-built housing industry are relatively small in comparison to potential revenue. However, we believe that entry into the industry may be more difficult 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.

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 Alabama, Arkansas, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and West Virginia.

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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 the impacts. 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. A consumer seeking to finance the purchase of a manufactured home without land will generally pay a higher interest rate and have a shorter loan maturity than a consumer seeking to finance the purchase of land and the home. Provisions of the Dodd-Frank Act may change the designation of certain manufactured home loans as high cost mortgages, which may adversely affect the availability and cost of manufactured home loans. On January 21, 2012, legislation was introduced to reduce the threshold by which small balance manufactured home personal property loans would be considered high cost mortgages under provisions within the Dodd-Frank Act. The results of this legislation and challenges of the Dodd-Frank Act are not yet known. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (CFPB). The CFPB has been granted significant rule-making authority in the area of consumer financial products and services. The direction that the CFPB will take, the regulations it will adopt, and its interpretation of existing laws and regulations are all elements that are not yet known. Compliance with the law may be costly and could affect operating results as the implementation of new forms, processes, procedures and controls and infrastructure may be required to comply with the regulations. Compliance may 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.

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 31, 2012, we had 161 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 in leased office facilities at 3030 N Rocky Point Drive W, Suite 150, Tampa, FL 33607. The telephone number at the Company's executive offices is (813) 418-5250. 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.

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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.

ITEM 4. MINE SAFETY DISCLOSURES

None

PART II**ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND SMALL BUSINESS ISSUER 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.

2011 Quarter Ended	High	Low
March 31, 2011	\$ 1.50	\$.27
June 30, 2011	\$ 1.05	\$.68
September 30, 2011	\$.68	\$.40
December 31, 2011	\$.60	\$.40
2012 Quarter Ended		
March 31, 2012	\$.70	\$.55
June 30, 2012	\$.80	\$.46
September 30, 2012	\$.80	\$.70
December 31, 2012	\$.75	\$.54

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.

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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.

Holdings Of Common Stock

On March 1, 2013, there were 319 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.

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 2012 or 2011. There were no outstanding stock options as of December 31, 2012 and 2011.

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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 31, 2012.

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, may, 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 Deer Valley Homebuilders, Inc. (DVH), Deer Valley Financial Corp (DVFC) and Deer Valley Home Repair Services, Inc. (DVHRS), designs and manufactures factory built homes and provides dealer inventory-secured financing for our factory built homes. The Company's manufacturing plant located in Guin, Alabama, produces homes which are marketed in 13 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 for our homes is offered to qualified retail dealers and developers, through DVFC, a wholly owned subsidiary.

The Company's executives are continuing to focus on matters relating to challenges faced by our industry and the general economy. (i) Management has been addressing the well-publicized slowdown in the housing industry by adjusting capacity and rate of production with market demand. The Company continues to monitor demand and adjust capacity based on our views of and direction of the industry. (ii) In recognition of an important trend in the housing market toward modular homes and the recurring need for emergency housing as part of the

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Company's strategic plan, management will continue to increase the Company's involvement in the modular segment of the factory-built housing industry. The Company continues to believe that establishing alternative distribution channels will add stability and position the company for growth when market conditions improve. 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 to large tract developers, government agencies and individuals through independent dealers. (iii) Management has addressed the reduced availability of dealer inventory financing with the establishment of its wholly owned subsidiary, Deer Valley Finance Corp (DVFC). The subsidiary was created to provide inventory-secured loans to qualified retail dealers and developers. (iv) The Company continues to focus on operating activities to improve manufacturing efficiencies, reduce overall costs and increase gross margins.

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 31, 2012 and 2011.

During 2011, the Company entered into two subcontract agreements for the manufacture and delivery of a total of one-hundred manufactured homes to a governmental agency and included \$3.3 million in revenue based on deliveries on the contract. During 2012, the Company did not manufacture or delivery of governmental agency homes.

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 31, 2012 and year ended December 31, 2011 is that of the Company on a consolidated basis with DVH, DVFC and DVHRS.

Revenues. The Company had gross revenues of \$26,220,656 in fiscal year 2012, as compared to \$29,031,632 in fiscal year 2011. Accordingly, revenues decreased \$2,810,976 or a decrease of 9.7% compared to the prior year. Excluding the subcontract of 100 units for a governmental agency, the Company had gross revenues of \$25,719,632 in fiscal year 2011, as compared to \$26,220,656 in fiscal year 2012. Accordingly, revenue excluding governmental agency units increased \$501,024 or a 2.0% increase compared to the prior year. The decrease in revenue for 2012, is primarily attributable to the completion of the subcontract agreements for the manufacture and delivery of one-hundred manufactured homes to a governmental agency during 2011. During 2011, the Company included \$3.3 million in revenue based on deliveries on the government contract. The Company did not have any revenue related to government contracts during 2012. Although we remain cautiously optimistic, several challenges such as persistently high unemployment levels and the threat of more foreclosures continue to hinder a recovery in the housing market. If the current crisis in the national economy generally, or in the housing market specifically, continues for an extended period of time, our operating results could be significantly affected by such market forces. This ongoing crisis has materially impacted liquidity in the financial markets, reducing the availability of wholesale financing for our industry retailers and consumer financing for purchasers of a manufactured homes. The likelihood that we will be able to sustain our current level of revenue or generate net income in the future must be considered in light of the difficulties facing the manufactured housing industry as a whole, the national and local economies, the credit markets and the financial services industry, the competitive environment in which we operate, and other risks and uncertainties.

Gross Profit. Gross profit was \$4,939,821 or 18.8% of total revenue for 2012, compared to \$5,776,881 or 19.9% of total revenue for 2011. The decrease in gross profit as a percentage of revenue is attributable to an

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increase in raw material costs and overall commodity pressures, which continue to negatively impact gross profit. 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 31, 2012 were \$4,111,943, compared to \$3,940,536 for the fiscal year 2011. Selling, general and administrative cost increased \$171,407 for the fiscal year ending December 31, 2012, in comparison to the corresponding period for 2011. The increase in our selling, general and administration expenses is due to an increase in administration cost of our financial services segment and general corporate expenses compared to the same corresponding period for 2011. 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.

Other Income (Expense). Derivative income for the year ended December 31, 2012 was \$34,486 compared to income of \$384,196 for the year ended December 31, 2011. Our derivative income/expense represents changes in the fair value of our derivative warrants. These derivative liabilities are sensitive to changes in the trading market price of our common stock and the total number of common shares indexed to derivative instruments. The decrease in derivative income is due primarily to expiration of 3,067,151 warrants during 2011. In August 2011, a large portion of our derivative warrants expired, which should decrease the volatility in derivative income (expenses) in future periods. See Note 10 - Derivative Liabilities of the notes to Consolidated Financial Statements for additional disclosure data.

Income Tax Expense. An income tax benefit of \$37,956 was recognized for the year ended December 31, 2012, compared to an expense of \$696,176 for the year ended December 31, 2011. For the year ended December 31, 2012, we reversed all of the previously recorded valuation allowance for deferred tax assets after determining that realization of the deferred tax assets was more likely than not. This determination was based upon our achieving historical profitability and our outlook for ongoing profitability. See Note 11 - Income Taxes of the notes to Consolidated Financial Statements for additional disclosure data.

Net Income. The net income for 2012 was \$839,135 or .06 per diluted share, compared to net income of \$1,453,607, or .07 per diluted share, in 2011.

Net Income attributable to common stockholders - Net income attributable to common stockholders represents our net income as adjusted for deemed dividends on redemption on our preferred stock. See Note 13 - Equity Transactions of the Consolidated Financial Statements for additional disclosure data.

Liquidity and Capital Resources

Management believes that the Company currently has sufficient cash flow from operations, available bank borrowings, cash, and cash equivalents to meet its short-term working capital requirements. The Company had \$2,434,227 in cash and cash equivalents and short-term investments as of December 31, 2012, compared to \$6,170,048 in cash and cash equivalents and short-term investments as of December 31, 2011. The decrease in cash and cash equivalents is primarily attributable to the redemption of all of the Company's issued and outstanding Series C and Series E Convertible Preferred Stock, together with a block of the Company's common stock and an option to purchase shares of common stock, for an aggregate purchase price of \$3,200,000. 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.

The Company's operations may require significant use of cash reserves during 2013 compared to prior years. In 2009, the Company created DVFC, a wholly owned subsidiary to provide inventory-secured loans to qualified retail dealers and developers. Although we anticipate that our dealer finance business will be largely funded by advances under its credit facility, it is possible that we may continue to use our cash to fund a portion of our financing business.

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For the fiscal year ended December 31, 2012, our operating activities used net cash of \$703,899, as compared to our operating activities used net cash of \$1,449,575 for fiscal year ended December 31, 2011. Our significant change in cash flow is primarily attributable to an increase in our participation in inventory finance receivables as a result of the creation of DVFC to provide inventory-secured loans to qualified retail dealers and developers, which was offset in part by a decrease in accounts receivable as a result of payments received related to a subcontract for the manufacture and delivery of manufactured homes to a governmental agency.

For the fiscal year ended December 31, 2012, operating activities used net cash of \$703,899 primarily as a result of the following:

- (a) We had net income of \$839,135
Changes in our operating assets and liabilities are as follows:
- (b) an increase in inventories of \$505,844 (a use of cash), primarily a result of increase in finished goods inventory as a result of weather delays in shipment of homes and bulk purchases of raw materials to avoid anticipated price increases,
- (c) an increase in inventory finance notes receivable of \$1,335,548 (use of cash), the increase in inventory finance notes receivable is a result of expansion of DVFC created to provide short-term inventory-secured loans to qualified retail dealers and developers, and
- (d) a decrease in in accrued income tax payable of \$453,923 (use of cash), the decrease in income tax payable is a result of decreased taxable income , which were offset in part by
- (e) a decrease in accounts receivable of \$986,011 (source of cash), the decrease in accounts receivable is a result of payments received related to a subcontract for the manufacture and delivery of manufactured homes to a governmental agency

For the fiscal year ended December 31, 2011, operating activities used net cash of \$1,449,575 primarily as a result of the following:

- (a) We had net income of \$1,453,607
Changes in our operating assets and liabilities are as follows:
- (b) an increase in accounts receivable of \$1,562,023 (a use of cash), primarily a result of a subcontract for the manufacture and delivery of manufactured homes to a governmental agency,
- (c) an increase in inventory finance notes receivable of \$2,235,561 (use of cash), the increase in inventory finance notes receivable is a result of the creation of DVFC in the fourth quarter 2009 to provide short-term inventory-secured loans to qualified retail dealers and developers, and
- (d) a decrease in accrued dealer incentive programs and repurchase commitments of \$79,666 (use of cash), the decrease in dealer incentives and repurchase commitments is a result of lower dealer inventory levels and fewer homes contingently liable for under repurchase obligations, which were offset in part by
- (e) an increase in in accrued income tax payable of \$380,201 (source of cash), the increase in income tax payable is a result of increased taxable income

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The net cash provided in investing activities for the fiscal year ended December 31, 2012 was \$2,894,371, which reflects proceeds from the sale of short-term investments of \$2,900,000. The net cash provided in investing activities for the fiscal year ended December 31, 2011 was \$168,801, which reflects net proceeds from the sale of equipment and short-term investments of \$301,840, which were offset by equipment purchases of \$133,039.

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The net cash used in financing activities for the fiscal year ended December 31, 2012 was \$3,026,293, primarily attributable to (i) the redemption of all of the Company's issued and outstanding Series C and Series E Convertible Preferred Stock, together with a block of the Company's common stock and options to purchase shares of common stock, for an aggregate price of \$3,200,000 and purchases of treasury stock at a cost of \$824,923, which were offset in part by (ii) net proceeds from revolving credit loans of \$550,000 used to finance our inventory finance notes receivable. The net cash provided in financing activities for the fiscal year ended December 31, 2011 was \$823,594, which relates to net proceeds from revolving credit loans of \$1,475,000 used to finance our inventory finance notes receivable, which were partially offset by principal payments on long-term debt of \$441,335 and purchases of treasury stock at a cost of \$210,051.

During the year ended December 31, 2012 the Company entered into (i) a common stock redemption agreement wherein the Company purchased 1,096,291 shares of common stock; (ii) a securities redemption and purchase agreement wherein (a) the Company purchased 22,463 shares of Series C Preferred and 1,000,000 shares of Series E Preferred, representing 100% of the issued and outstanding shares of each class and linked to 3,246,300 shares of common stock and (b) the Company purchased an option to purchase from Vicis Capital Master Fund's remaining 12,310,359 shares of common stock (the Option). The aggregate purchase price of the stock redemption agreement was \$3,200,000.

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 workmen compensation insurance policy in the amount of \$100,000. As of December 31, 2012, 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 31, 2012, 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 either the Company or its auditors have made any such changes in accounting estimates. A summary of the most critical accounting estimates employed by the Company in generating financial statements follows below.

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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 \$1,170,000 on its balance sheet as of December 31, 2012 compared with a warranty liability reserve of \$1,330,000 on its balance sheet as of December 31, 2011. Based on management's assessment of historical experience and current trends in wholesale shipments and dealer inventories we decreased our warranty provision by \$160,000 for the fiscal year ended December 31, 2012. 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 \$268,754 as of December 31, 2012, as compared to \$216,901 as of December 31, 2011.

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 \$2,657,000 at December 31, 2012, as compared to \$3,585,000 at December 31, 2011. As of December 31, 2012 and December 31, 2011, we had reserves of \$106,280 and \$131,395, respectively, established for future repurchase commitments, based upon our prior experience and evaluation of our independent dealers' financial conditions. We have decreased repurchase reserves as compared to amounts under repurchase obligation based on identified changes in dealers' financial conditions and the probability of default for the group of dealers identified at an elevated risk of default. 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.

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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 or 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.

Recent Accounting Pronouncements

None

Off-Balance Sheet Arrangements

None

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ITEM 8. FINANCIAL STATEMENTS

Deer Valley Corporation & Subsidiaries

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011.

Contents:

<u>Report of Independent Registered Public Accounting Firm - Thomas Howell Ferguson P.A.</u>	F-1
<u>Report of Independent Registered Public Accounting Firm - Meeks International, LLC</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	F-3
<u>Consolidated Statements of Operations for the Years Ended December 31, 2012 and 2011</u>	F-4
<u>Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2012 and 2011</u>	F-5
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2012 and 2011</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-9

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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 sheet of Deer Valley Corporation & Subsidiaries (the Company) as of December 31, 2012, and the related consolidated statement of operations, changes in stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of Deer Valley Corporation & Subsidiaries at December 31, 2012, and the results of their operations and their cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

Thomas Howell Ferguson P.A.

Tampa, Florida

March 22, 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 sheet of Deer Valley Corporation & Subsidiaries (the Company) as of December 31, 2011, and the related consolidated statement of operations, changes in stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of Deer Valley Corporation & Subsidiaries at December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

Meeks International, LLC

Tampa, Florida

March 23, 2012

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	December 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash	\$ 2,434,227	\$ 3,270,048
Short-term investments		2,900,000
Accounts receivable, net	1,058,858	2,044,869
Inventory	1,547,723	1,041,879
Deferred tax asset	629,090	661,048
Inventory finance notes receivable	3,537,638	3,392,085
Prepaid expenses and other current assets	122,280	96,735
Total Current Assets	9,329,816	13,406,664
Fixed Assets:		
Property, plant and equipment, net	2,128,005	2,330,291
Other Assets:		
Inventory finance notes receivable, net	4,407,293	3,345,858
Deferred tax asset	1,891,861	1,713,174
Other assets	20,578	43,118
Total Other Assets	6,319,732	5,102,150
Total Assets	\$ 17,777,553	\$ 20,839,105
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current maturities on long term debt	\$ 125,600	\$ 125,600
Revolving credit loans	4,750,000	4,200,000
Accounts payable	197,915	410,324
Accrued expenses	1,398,306	1,411,883
Accrued warranties	1,170,000	1,330,000
Warrant liability		34,486
Income tax payable	57,732	511,654
Total Current Liabilities	7,699,553	8,023,947
Long Term Liabilities:		
Long-term debt, net of current maturities	942,000	1,057,133
Total Long Term Liabilities	942,000	1,057,133
Total Liabilities	8,641,553	9,081,080

Commitments and Contingencies (Note 12)**Stockholders Equity:**

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Series A Preferred stock, \$0.01 par value, 750,000 shares authorized, 0 and 21,500 shares issued and outstanding, respectively.	215	
Series C Preferred stock, \$0.01 par value, 26,750 shares authorized, 0 and 22,463 shares issued and outstanding, respectively.		224
Series E Preferred stock, \$0.01 par value, 1,000,000 authorized, 0 and 1,000,000 shares issued and outstanding, respectively.		10,000
Common stock, \$0.001 par value, 100,000,000 shares authorized, 17,786,184 and 17,499,517 shares issued and 15,657,661 and 16,878,063 outstanding, respectively.	17,788	17,501
Additional paid-in capital	33,254,293	35,998,560
Treasury Stock, at cost; 2,128,523 and 621,454 shares, respectively	(1,134,998)	(310,075)
Accumulated deficit	(23,001,083)	(23,958,400)
Total Stockholders Equity	9,136,000	11,758,025
Total Liabilities and Stockholders Equity	\$ 17,777,553	\$ 20,839,105

See notes to consolidated financial statements

Table of Contents**Deer Valley Corporation & Subsidiaries****Consolidated Statements of Operations**

	For the years ended December 31,	
	2012	2011
REVENUE	\$ 26,220,656	\$ 29,031,632
COST OF REVENUE	21,280,835	23,254,751
GROSS PROFIT	4,939,821	5,776,881
OPERATING EXPENSES:		
Depreciation and amortization	12,889	14,394
Selling, general and administrative	4,111,943	3,940,536
TOTAL OPERATING EXPENSES	4,124,832	3,954,930
OPERATING INCOME	814,989	1,821,951
OTHER INCOME (EXPENSE)		
Derivative income	34,486	384,196
Interest income	3,344	18,356
Other income	1,640	10,508
Interest expense	(53,280)	(85,228)
TOTAL OTHER (EXPENSE)/INCOME	(13,810)	327,832
INCOME BEFORE INCOME TAXES	801,179	2,149,783
INCOME TAX BENEFIT/(EXPENSE)	37,956	(696,176)
NET INCOME	\$ 839,135	\$ 1,453,607
Reconciliation of net income to income attributable to common shareholders:		
Net Income	\$ 839,135	\$ 1,453,607
Deemed distribution from redemption of preferred stock	118,182	
Income attributable to common shareholders and numerator for basic income per common share	\$ 957,317	\$ 1,453,607
Income Per Share (Basic)	\$ 0.06	\$ 0.08
Income Per Share (Fully Diluted)	\$ 0.06	\$ 0.07
Weighted Average Common Shares Outstanding	16,200,509	17,117,838
Weighted Average Common and Common Equivalent Shares Outstanding	16,200,509	20,650,780

See notes to consolidated financial statements

Table of Contents**Deer Valley Corporation & Subsidiaries****Consolidated Statements of Changes in Stockholders' Equity****For the Years Ended December 31, 2012 and 2011**

	Preferred A		Preferred C		Preferred E	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance - December 31, 2010	21,500	\$ 215	22,463	\$ 224	1,000,000	\$ 10,000
Treasury Stock purchase at cost						
Net Income						
Balance - December 31, 2011	21,500	215	22,463	224	1,000,000	10,000
Conversion of Series A Preferred	(21,500)	(215)				
Redemption of Series C and E Preferred			(22,463)	(224)	(1,000,000)	(10,000)
Purchase of Common Stock Option						
Treasury Stock purchase at cost						
Deemed distribution on redemption of preferred stock						
Net Income						
Balance - December 31, 2012		\$		\$		\$

See notes to consolidated financial statements

Table of Contents**Deer Valley Corporation & Subsidiaries****Consolidated Statements of Changes in Stockholders' Equity (continued)****For the Years Ended December 31, 2012 and 2011**

	Common		Additional	Treasury	
	Shares	Amount	Paid in Capital	Shares	Amount
Balance - December 31, 2010	17,499,517	\$ 17,501	\$ 35,998,560	(227,520)	\$ (100,024)
Treasury Stock purchase at cost				(393,934)	(210,051)
Net Income					
Balance - December 31, 2011	17,499,517	17,501	35,998,560	(621,454)	(310,075)
Conversion of Series A Preferred	286,667	287	(72)		
Redemption of Series C and E Preferred			(1,864,776)		
Purchase of Common Stock Option			(879,419)		
Treasury Stock purchase at cost				(1,507,069)	(824,923)
Deemed distribution on redemption of preferred stock					
Net Income					
Balance - December 31, 2012	17,786,184	\$ 17,788	\$ 33,254,293	(2,128,523)	\$ (1,134,998)

See notes to consolidated financial statements

Table of Contents**Deer Valley Corporation & Subsidiaries****Consolidated Statements of Changes in Stockholders' Equity (continued)****For the Years Ended December 31, 2012 and 2011**

	Accumulated Deficit	Total
Balance - December 31, 2010	\$ (25,412,007)	\$ 10,514,469
Treasury Stock purchase at cost		(210,051)
Net Income	1,453,607	1,453,607
Balance - December 31, 2011	\$ (23,958,400)	\$ 11,758,025
Conversion of Series A Preferred		
Redemption of Series C and E Preferred		(1,875,000)
Purchase of Common Stock Option		(879,419)
Treasury Stock purchase at cost		(824,923)
Deemed distribution on redemption of preferred stock	118,182	118,182
Net Income	839,135	839,135
Balance - December 31, 2012	\$ (23,001,083)	\$ 9,136,000

See notes to consolidated financial statements

Table of Contents**Deer Valley Corporation & Subsidiaries****Consolidated Statements of Cash Flows**

	For the years ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 839,135	\$ 1,453,607
Adjustments to reconcile net income to net cash provided for/used in operating activities:		
Depreciation	209,556	243,012
Derivative (income)	(34,486)	(384,196)
Gain on sale of equipment	(1,640)	(10,508)
Provision for credit losses	128,560	85,940
Changes in assets and liabilities:		
(Increase)/decrease in receivables	986,011	(1,562,023)
(Increase)/decrease in inventories	(505,844)	(234,150)
(Increase)/decrease in deferred tax asset	(126,952)	204,715
(Increase)/decrease in inventory finance receivable	(1,335,548)	(2,235,561)
(Increase)/decrease in prepayments and other	(3,006)	211,303
Increase/(decrease) in accounts payable	(212,409)	246,746
Increase/(decrease) in income tax payable	(453,923)	380,201
Increase/(decrease) in estimated services and warranties	(160,000)	40,000
Increase/(decrease) in accrued expenses	(13,576)	121,321
Increase/(decrease) in deferred tax liability	(19,777)	(9,982)
CASH FLOW (USED) IN OPERATING ACTIVITIES	\$ (703,899)	\$ (1,449,575)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(9,724)	(133,039)
Proceeds from sale of property, plant and equipment	4,095	33,395
Purchases of short-term investments		(2,900,000)
Sales of short-term investments	2,900,000	3,168,445
CASH FLOW PROVIDED BY INVESTING ACTIVITIES	\$ 2,894,371	\$ 168,801
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(115,133)	(441,355)
Proceeds from revolving credit loans	11,125,000	11,775,000
Repayments of revolving credit loans	(10,575,000)	(10,300,000)
Purchases of common stock option	(879,419)	
Purchase of treasury stock	(824,923)	(210,051)
Redemption of preferred stock	(1,756,818)	
CASH FLOW (USED) IN/PROVIDED BY FINANCING ACTIVITIES	\$ (3,026,293)	\$ 823,594
NET (DECREASE) IN CASH	\$ (835,821)	\$ (457,180)
CASH, Beginning	\$ 3,270,048	\$ 3,727,228
CASH, Ending	\$ 2,434,227	\$ 3,270,048

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$ 177,553	\$ 233,949
Taxes	\$ 568,723	\$ 121,242

SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:

Conversion of preferred stock for common stock	\$ 215	\$
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See notes to consolidated financial statements

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Deer Valley Corporation & Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

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 13 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, volume incentives payable, and reserve for repurchase commitments.

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Fiscal Year - The Company operates on a 52-53 week fiscal year end. For presentation purposes, the periods have been presented as ending on December 31.

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. At December 31, 2012 these balances totaled \$2,434,227. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 or in the case of non-interest bearing checking accounts, the insurance is unlimited until December 31, 2012. Bank deposits at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Investments - Short-term investments are comprised of Variable Rate Demand Bonds (VRDB s). In accordance with FASB Topic ASC 320, *Investments-Debt and Equity Securities*, based on our ability to market and sell these instruments and our intent to not hold such instruments until maturity, we classify such variable rate demand bonds as available-for-sale, and carry them at their fair value. VRDB s are similar to short-term debt instruments because their interest rates are reset periodically. Investments in these securities can be sold for cash on the auction date. We classify VRDB s as short-term or long-term investments based on the reset dates.

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. At December 31, 2012 and 2011, reserves for uncollectible accounts are \$15,000.

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. 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

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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 the year ended December 31, 2012 as compared to December 31, 2011. The Company did not have definite-lived intangible assets at December 31, 2012 and December 31, 2011.

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 financing institution), and (c) the home has been shipped and risk of loss has passed to the dealer and collectability is reasonably assured.

Cost of Sales - The Company 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.

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 periods ending December 31, 2012 and 2011 were \$62,947 and \$88,619, respectively.

Concentration of Sales to Certain Customers - During 2012, the Company had sales to one customer of approximately 12%. These sales were made through the Company's network of independent distributors. In addition, during 2011, the Company entered into two separate subcontract agreements for the manufacture and delivery of a total of one-hundred manufactured homes to a governmental agency. These sales accounted for approximately 12% of total revenue during 2011.

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Derivative Financial Instruments - Upon the adoption of FASB ASC guidance on Topic 815 *Derivatives and Hedging* in *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* on January 1, 2009, certain of our financial instruments with down-round protection features are no longer considered indexed to our Company's stock for purposes of determining whether or not they meet the first part of the scope exception ASC 815-10-15-74. As such, these instruments no longer meet the conditions to obtain equity classification and are required to be carried as derivative liabilities, at fair value, with changes in fair value reflected in our income (loss). See Note 10 *Derivative Liabilities* of the consolidated financial statements for additional disclosure data.

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, accounts payable, accrued liabilities and derivative financial instruments.

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 31,	
	2012	2011
Income attributable to common shareholders	\$ 957,317	\$ 1,453,607
Weighted average shares outstanding:		
Basic	16,200,509	17,117,838
Diluted	16,200,509	20,650,780
Income per share:		
Basic	\$ 0.06	\$ 0.08
Diluted	\$ 0.06	\$ 0.07

The Company's dilutive common stock equivalent shares amounted to 0 and 3,532,942 as of December 31, 2012 and 2011 and exclude any incremental shares associated with the Company's outstanding warrants which total 1,112,487, as they were anti-dilutive.

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Inventory consisted of the following components:

	December 31,	
	2012	2011
Raw Materials	\$ 884,884	\$ 609,673
Work-in-Process	229,259	312,643
Finished Goods	433,580	119,563
Total Inventory	\$ 1,547,723	\$ 1,041,879

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.

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

	December 31,	
	2012	2011
Inventory finance notes receivable - current	\$ 3,537,638	\$ 3,392,085
Inventory finance notes receivable - long-term	4,736,793	3,546,798
Allowance for loan loss	(329,500)	(200,940)
Total Inventory finance notes receivable	\$ 7,944,931	\$ 6,737,943

With respect to our inventory finance notes receivable, the risk of loss is spread over numerous borrowers. In addition to historical experience, borrower inventory levels and activity are monitored in conjunction with a third-party provider to estimate the potential for loss. We have not experienced any losses to date. The Company anticipates it will be able to resell any repossessed homes, thereby mitigating loss experience. If a default occurs and collateral is lost, the Company is exposed to loss of the full value of the note receivable. The Company recorded a provision for credit losses of \$128,560 and \$85,940 for years ending December 31, 2012 and 2011, respectively. The following table represents changes in the estimated allowance for loan losses:

	December 31,	
	2012	2011
Balance at beginning of period	\$ 200,940	\$ 115,000
Provision for credit losses	128,560	85,940
Loans charged off, net of recoveries		
Balance at end of period	\$ 329,500	\$ 200,940

Table of Contents**NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT**

Property, Plant and Equipment consisted of the following:

Category	December 31,	
	2012	2011
Land and improvements	\$ 423,244	\$ 423,244
Buildings	1,978,088	1,978,088
Machinery and equipment	1,136,882	1,149,541
Furniture and fixtures	207,820	205,041
	3,746,034	3,755,914
Accumulated depreciation	(1,618,029)	(1,425,623)
Total Property, Plant, and Equipment	\$ 2,128,005	\$ 2,330,291

Depreciation expense amounted to \$209,556, of which \$196,667 are included in cost of revenue and \$12,889 are included in operating expenses, and \$243,012, of which \$228,618 are included in cost of revenue and \$14,394 are included in operating expenses, for the years ended December 31, 2012 and 2011, respectively.

NOTE 6 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

Category	December 31,	
	2012	2011
Accrued dealer incentive program	\$ 268,754	\$ 216,901
Accrued third party billings	477,832	442,800
Accrued compensation	239,225	395,380
Accrued insurance	90,943	90,266
Accrued interest	17,394	2,305
Accrued repurchase commitment	106,280	131,395
Other	197,878	132,836
Total Accrued Expenses	\$ 1,398,306	\$ 1,411,883

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 31, 2012 and 2011, the Company has provided a liability of \$1,170,000 and \$1,330,000, respectively for estimated warranty costs relating to homes sold, based upon management's assessment of historical experience factors and current industry trends.

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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 31,	
	2012	2011
Balance at beginning of period	\$ 1,330,000	\$ 1,290,000
Warranty charges	1,193,893	1,242,275
Warranty payments	(1,353,893)	(1,202,275)
Balance at end of period	\$ 1,170,000	\$ 1,330,000

NOTE 8 - REVOLVING CREDIT LOANS

On October 14, 2009, Deer Valley entered into Revolving Credit Loan and Security Agreement with Fifth Third Bank, which provides for a revolving line of credit in an amount not to exceed Seven Million Five Hundred Thousand Dollars (the \$7,500,000 Facility). The \$7,500,000 Facility is evidenced by a revolving credit note and secured by accounts receivable, inventory, equipment and all other tangible and intangible personal property of Deer Valley. The purpose of the \$7,500,000 Facility is to provide display model financing for dealers of the products produced by DVH. This financing will be provided through DVC's new subsidiary DVFC and administration of individual dealer loans will initially be handled by a third party administrator. The \$7,500,000 Facility has a two year term and has a variable interest rate at 4.00% above LIBOR. An event of default such as non-payment of amounts when due under the loan agreement or a breach of a covenant may accelerate the maturity date of the facility. The facility provides for conditions to be met prior to each advance, including financial ratios.

On October 14, 2009, Deer Valley entered into Revolving Credit Loan and Security Agreement with Fifth Third Bank, which provides for a revolving line of credit in an amount not to exceed Five Million Dollars (the \$5,000,000 Facility). The \$5,000,000 Facility is evidenced by a revolving credit note and secured by receivable, inventory, equipment and all other tangible and intangible personal property of Deer Valley. The \$5,000,000 Facility is to be utilized for short term working capital financing, letters of credit and as a bridge loan on financing the sale of retail units by DVH. Said financing will be provided through DVC's new subsidiary DVFC, and administration of individual dealer loans will initially be handled by a third party administrator. The \$5,000,000 Facility has a two year term and has a variable interest rate at 2.50% above LIBOR. An event of default such as non-payment of amounts when due under the loan agreement or a breach of a covenant may accelerate the maturity date of the facility. The facility provides for conditions to be met prior to each advance, including financial ratios.

Effective October 14, 2011, Deer Valley (a) renewed its Revolving Credit Loan and Security Agreement with Fifth Third Bank, used for display model financing for dealers of the products produced by DVHB (the Display Model LOC), and (b) in connection with such renewal, Deer Valley reduced the limits of the Display Model LOC from \$7,500,000 to \$5,000,000. The \$5,000,000 Facility has a two year term and has a variable interest rate at 4.00% above LIBOR or 4.375% at December 31, 2012. As of December 31, 2012 and 2011, the Company had an outstanding balance of \$2,975,000 and \$2,450,000, respectively, under the revolving credit loan. Historically Deer Valley has not borrowed up to the line of credit limits under the Display Model LOC. The reduced limit will reduce Deer Valley's future unused line fees associated with the Display Model LOC.

Effective October 14, 2011, Deer Valley (a) 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), and (b) in connection with such renewal, Deer Valley reduced the limits of the Working Capital LOC from \$5,000,000 to \$3,000,000. The

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\$3,000,000 Facility has a two year term and has a variable interest rate at 2.50% above LIBOR or 2.75% at December 31, 2012. As of December 31, 2012 and 2011, the Company had an outstanding balance of \$1,775,000 and \$1,750,000, respectively, under the revolving credit loan. Historically Deer Valley has not borrowed up to the line of credit limits under the Working Capital LOC. The reduced limit will reduce Deer Valley's future unused line fees associated with the Working Capital LOC.

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 31, 2012, \$5,650,585 was available under the revolving credit loans after deducting letters of credit of \$100,000.

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 31, 2012, 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 and No/100 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 purpose of the loan is to pay off an existing loan from another bank secured by the Guin property and to reduce the outstanding balance on DVH's revolving credit facility with the Lender. The net effect of the reduction in the revolving credit balance is to increase the credit available to the Company for working capital under its revolving facility. The Loan had a term from May 26, 2006 through June 1, 2011 and a variable interest rate at 2.25% above LIBOR. There is no prepayment penalty. Future advances are available under the Loan Agreement, subject to approval by the Lender. Also on May 26, 2006, the Company and DVH guaranteed the Loan. Should Deer Valley default, thereby triggering acceleration of the Loan, the Company would become liable for payment of the Loan.

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

Long-term debt of the Company was as follows:

	December 31,	
	2012	2011
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.	\$ 1,067,600	\$ 1,182,733
Less: Current portion of long-term debt	(125,600)	(125,600)
Total long-term debt, net of current portion	\$ 942,000	\$ 1,057,133

At December 31, 2012, principal repayment requirements on long-term debt were as follows:

For year ended December 31,	Amount
2013	\$ 125,600
2014	125,600
2015	125,600
2016	565,200
Total repayments on long-term debt	\$ 942,000

Table of Contents**NOTE 10 - DERIVATIVE LIABILITIES**

As of December 31, 2012 and 2011, derivative financial instruments recorded as liabilities consisted of Class B Warrants indexed to 1,112,487 shares of our common stock with an exercise price of \$2.25. The fair value of the Class B warrants as of December 31, 2012 and 2011 was \$0 and \$34,486, respectively.

The following tables summarize the effects on our income associated with changes in the fair values of our derivative financial instruments:

	Year ended December 31, 2012	Year ended December 31, 2011
Class A Warrants (Class A-1 & Class A-2)	\$	\$ 138,091
Class B Warrants	34,486	191,874
Class BD-2 Warrants		41,092
Class BD-3 Warrants		9,396
Class BD-4 Warrants		3,022
Class BD-5 Warrants		721
	\$ 34,486	\$ 384,196

We estimate fair values of derivative financial instruments using various techniques (and combinations thereof) that are considered to be consistent with the objective measuring fair values. In selecting the appropriate technique, we consider, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. We value our derivative warrants using a Binomial Lattice valuation model which provides for early exercise scenarios and incorporates the down-round anti-dilution protection possibilities that could arise in early exercise scenarios.

Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques (such as Lattice models) are highly volatile and sensitive to changes in the trading market price of our common stock. Since derivative financial instruments are initially and subsequently carried at fair value, our (income) loss will reflect the volatility in these estimate and assumption changes.

	December 31, 2012	December 31, 2011
Significant assumptions (or ranges):		
Trading market values (1)	\$ 0.60	\$ 0.60
Term (years) (3)	0.61	1.64
Volatility (1)	44.80%	74.84%
Risk-free rate (2)	0.06%	0.09%

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Fair value hierarchy:

- (1) Level 1 inputs are quoted prices in active markets for identical assets and liabilities, or derived there from. Our trading market values and the volatilities that are calculated thereupon are level 1 inputs.
- (2) Level 2 inputs are inputs other than quoted prices that are observable. We use the current published yields for zero-coupon US Treasury Securities, with terms nearest the remaining term of the warrants for our risk free rate.
- (3) Level 3 inputs are unobservable inputs. Inputs for which any parts are level 3 inputs are classified as level 3 in their entirety. The remaining term used equals the remaining contractual term as our best estimate of the expected term.

ASC 820-10-55-62 Fair Value Measurements and Disclosures provides that for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, reconciliation is required of the beginning and ending balances. The reconciliation of our derivative liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2012 is as follows:

	Warrant Liability
Beginning balance, December 31, 2011	\$ 34,486
Total (gains) or losses included in earnings	(34,486)
Issuances	
Ending balance, December 31, 2012	\$

The significant unobservable inputs used in the fair value measurement of the warrants included management’s estimate of the expected remaining term and the probability of a down round financing occurring during the remaining term of the warrant. Generally an increase (decrease) in the expected term or the probability of the occurrence of a down round financing would result in a higher (lower) fair value measurement

NOTE 11 - INCOME TAXES

The Company’s 2012 consolidated effective tax rate was (4.72%) as compared to 32.39% in 2011. The large decrease in the effective tax rate is due to the Company benefiting from the release of the valuation allowance previously recorded against the deferred tax asset for goodwill amortization.

In prior years, the Company recorded and maintained a valuation allowance against the deferred tax asset resulting from the amortization of goodwill as it had been determined that it was more than likely than not to not be realized. Changes in the valuation allowance and the corresponding impact on the effective income tax rate resulted from Management’s assessment of the Company’s ability to utilize the tax deduction from goodwill amortization. The change in valuation allowance from 2011 to 2012 was a decrease of \$402,617. Based upon the Company’s history of earnings and expected sufficient earnings in future periods, Management has determined that it is more likely than not that the Company will recognize a tax benefit when the goodwill deferred tax asset reverses. Therefore, the valuation allowance is deemed not necessary and has been released, in total, in 2012.

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. The Company generally remains subject to examination of its U.S. federal income tax returns for 2009 and subsequent years as the IRS has a three year window to assess/collect taxes. In addition, the Company also remains subject to examination of its Alabama income tax returns for 2009 and subsequent years. However, if required tax as understated by more than 25%, the statute of limitations is extended to 6 years, potentially opening the years of 2006 through 2008 as well.

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The income tax provision (benefit) consists of the following:

Income Taxes:

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

	2012	2011
Current taxes	\$ 108,772	\$ 501,443
Deferred taxes	(146,728)	194,733
(Benefit)/Provision for income taxes	\$ (37,956)	\$ 696,176

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

	2012		2011	
	Amount	Impact on Rate	Amount	Impact on Rate
Income tax at federal rate	\$ 272,394	34.00%	\$ 730,926	34.00%
State tax, net of Federal effect	33,857	4.23%	90,850	4.23%
Permanent Differences:				
Meals & Entertainment	19,207	2.40%	19,926	0.93%
Officers Life Insurance	1,337	0.17%	1,337	0.06%
Derivative expense	(13,175)	-1.64%	(146,863)	-6.83%
Total Permanent Differences	7,369	0.93%	(125,600)	-5.84%
Deferred Tax Valuation Allowance	(402,617)	-50.25%	0	0.00%
True Up to Tax Return - Deferred Assets	51,041	6.37%	0	0.00%
Total (Benefit) Provision	\$ (37,956)	-4.72%	\$ 696,176	32.39%

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:

	2012	2011
Current Deferred Tax Assets:		
Warranty Reserve	\$ 447,243	\$ 508,406
Repurchase Reserve	40,627	50,227
Allowance for Loan Losses	125,955	76,811
Allowance for Doubtful Accounts	5,734	5,734
Inventory Reserve	5,708	8,402
Accrued Legal Fees	3,823	11,468

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Total Current Deferred Tax Asset	629,090	661,048
Non-Current Deferred Tax Assets:		
Goodwill Impairment	1,950,130	2,193,839
Valuation Allowance		(402,619)
Total Non-Current Deferred Tax Assets	1,950,130	1,791,220
Non-Current Deferred Tax Liability:		
Accelerated Depreciation	(65,799)	(85,576)
Sale of Assets	7,530	7,530
Total Non-Current Deferred Tax Liability	(58,269)	(78,046)
Total Deferred Tax Assets (Net)	\$ 2,520,951	\$ 2,374,222

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NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

Reserve for Repurchase Commitments - DVH is contingently liable under the terms of repurchase agreements with financial institutions providing inventory financing for retailers of DVH's products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The risk of loss under these agreements is spread over numerous retailers. The price DVH is obligated to pay generally declines over the period of the agreement (typically 18 to 24 months) and the risk of loss is further reduced by the sale value of repurchased homes. The maximum amount for which the Company is contingently liable under repurchase agreements is approximately \$2,657,000 at December 31, 2012. As of December 31, 2012 the Company reserved \$106,280 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 13 - EQUITY TRANSACTIONS

Preferred Stock - During the year ended December 31, 2012 certain of the Company's shareholders converted 21,500 shares of Series A Preferred stock, stated value \$215, into 286,667 shares of the Company's common stock. During the year ended December 31, 2011, there were no conversions of Series A Preferred stock into shares of the Company's common stock.

Series A Preferred Stock - Our Series A Convertible Preferred Stock had the following rights, preferences, privileges, and restrictions:

Rank - Our Series A Convertible Preferred Stock ranks senior to our Common Stock, Series C Convertible Preferred Stock, and Series E Convertible Preferred Stock.

Stated Value - \$10.00 per shares of Series A Convertible Preferred Stock.

Conversion - Each share of Series A Convertible Preferred Stock, at its stated value of \$10 per share, together with any accrued and unpaid dividends, is convertible at the option of the holder at any time into Common Stock at a price of Seventy Five Cents (\$.75) per share of Common Stock.

Dividends - A holder of Series A Convertible Preferred Stock is entitled to receive a dividend at a rate per annum equal to seven percent (7%), payable semi-annually, at the option of the Company, (i) in cash, to the extent funds are legally available therefor, or (ii) in shares of registered Common Stock at a ten percent (10%) discount to the *Market Price* (as such term is defined in the designations for the Series A Convertible Preferred Stock). The Series A Convertible Preferred Stock ceases to accrue the seven percent (7%) fixed dividend on the earliest of (a) the payment of the liquidation preference on each share of Series A Convertible Preferred Stock upon the liquidation, dissolution or winding-up of the Corporation, (b) the conversion of the Series A Preferred Stock in common stock, or (c) two (2) years from the date of issuance of the share of Series A Convertible Preferred Stock. After two (2) years from the date of issuance of a share of Series A Convertible Preferred Stock, the holders of Series A Convertible Preferred Stock participate ratably, on an as-converted basis, with our common stock as to the payment of dividends.

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Liquidation Rights - In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, our Series A preferred shareholders are entitled to receive an amount per share equal to the greater of \$10 for each outstanding share plus accrued and unpaid dividends, as adjusted for stock dividends, stock distributions, splits, combinations or recapitalizations, or the amount such shareholders would be entitled to receive had they converted their Series A preferred shares into common shares. These rights are prior and in preference to any distribution of any of our assets to our common shareholders, holders of Series C Preferred Stock, or Series E Preferred Stock.

Voting Rights - The holders of Series A Preferred stock have the right to vote on an as-converted basis, with our common shareholders on all matters submitted to a vote of our shareholders.

Series C Preferred Stock - Our Series C Convertible Preferred Stock had the following rights, preferences, privileges, and restrictions:

Rank - Our Series C Convertible Preferred Stock ranks junior to our Series A Convertible Preferred Stock, ranks senior to our Series E Preferred Stock as to an initial aggregate liquidation preference of \$100,000, and ranks *pari passu*, on an as converted basis, with our common stock, as to all other matters, including voting rights, payment of dividends, and liquidation, after payment of the initial liquidation preference of \$100,000.

Conversion - Each share of Series C Convertible Preferred Stock converts into one hundred (100) shares of Common Stock, at the option of the holder.

Limitation on Conversion - The conversion rights of each holder of Series C Convertible Preferred Stock is limited in the certificate of designations, preferences and rights of such stock, so that the holder is not entitled to convert any Series C Convertible Preferred Stock to the extent that, after such conversion, the sum of the number of shares of common stock beneficially owned by such holder and its affiliates, will result in beneficial ownership of more than 4.99% of the outstanding shares of common stock.

Dividends - Holders of Series C Convertible Preferred Stock participate ratably, on an as-converted basis, with our Common Stock as to the payment of dividends.

Liquidation Rights - In the event of any liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, after payment of any liquidation preference to the holders of Series A Preferred Stock, the holders of Series C Convertible Preferred Stock are entitled to receive an initial aggregate liquidation preference of \$100,000, and then the holders of Series C Convertible Preferred Stock are entitled to participate ratably, on an as-converted basis, with our common stock as to any distribution of assets.

Voting Rights - The holders of Series C Convertible Preferred stock have the right to vote on an as-converted basis, with our common shareholders on all matters submitted to a vote of our shareholders.

Limitation on Voting - The voting rights of each holder of Series C Convertible Preferred Stock is limited in the certificate of designations, preferences and rights of such stock, so that the holder is not entitled to vote any Series C Convertible Preferred Stock to the extent that such voting will allow such holder to vote more than 4.99% of the outstanding voting securities of the Company.

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Series E Preferred Stock - Our Series E Convertible Preferred Stock had the following rights, preferences, privileges, and restrictions:

Rank - Our Series E Convertible Preferred Stock ranks junior to our Series A Convertible Preferred Stock and Series C Convertible Preferred Stock, and ranks *pari passu*, on an as converted basis, with our common stock, as to all other matters, including voting rights, payment of dividends, and liquidation, after payment of the initial liquidation preference of \$2,000.

Conversion - Each share of Series E Preferred Stock converts into one share of Common Stock, at the option of the holder.

Limitation on Conversion - The conversion rights of each holder of Series E Preferred Stock is limited in the certificate of designations, preferences and rights of such stock, so that the holder is not entitled to convert any Series E Preferred Stock to the extent that, after such conversion, the sum of the number of shares of common stock beneficially owned by such holder and its affiliates, will result in beneficial ownership of more than 4.99% of the outstanding shares of common stock.

Dividends - Holders of Series E Preferred Stock participate ratably, on an as-converted basis, with our Common Stock as to the payment of dividends.

Liquidation Rights - In the event of any liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, after payment of any liquidation preference to the holders of Series A Preferred Stock, the holders of Series E Preferred Stock are entitled to receive an initial aggregate liquidation preference of \$2,000, and then the holders of Series E Convertible Preferred Stock are entitled to participate ratably, on an as-converted basis, with our common stock as to any distribution of assets.

Voting Rights - The holders of Series E Convertible Preferred stock have the right to vote on an as-converted basis, with our common shareholders on all matters submitted to a vote of our shareholders.

Limitation on Voting - The voting rights of each holder of Series E Convertible Preferred Stock is limited in the certificate of designations, preferences and rights of such stock, so that the holder is not entitled to vote any Series E Convertible Preferred Stock to the extent that such voting will allow such holder to vote more than 4.99% of the outstanding voting securities of the Company.

Treasury Stock - Pursuant to a Common Stock Repurchase Program approved by our Board of Directors, a total of 1,507,069 and 393,934 shares were purchased during the years ended December 31, 2012 and 2011 at a cost of \$824,923 and \$210,051 and recorded as treasury stock. Shares purchased during the year ended December 31, 2012 are inclusive of the shares purchased pursuant to the common stock redemption agreement described below.

Stock Redemption Agreement - During the year ended December 31, 2012 the Company entered into: (i) a Common Stock Redemption Agreement wherein the Company purchased 1,096,291 shares of common stock; (ii) a Securities Redemption and Purchase Agreement wherein (a) the Company purchased 22,463 shares of Series C Preferred and 1,000,000 shares of Series E Preferred, representing 100% of the issued and outstanding shares of each class and convertible to 3,246,300 shares of common stock and (b) the Company purchased an option to purchase Vicis Capital Master Fund s remaining 12,310,359 shares of common stock (the Option). The aggregate purchase price of the stock redemption agreement was \$3,200,000 and was allocated to the financial instruments acquired on the basis of relative fair value.

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The above referenced option is a freestanding forward contract with a call option (right to buy) element that provides for the Company's right and option, but not its responsibility, to purchase 12,310,359 shares, and no fewer shares, of its common stock until the Option expiration on June 1, 2013. The option provides for graduated exercise prices over the term to expiration: \$5,300,000 through June 1, 2012; thereafter, \$6,300,000 through August 1, 2012; thereafter, \$6,800,000 through December 1, 2012; and thereafter \$7,300,000 through the expiration date on June 1, 2013.

Accounting for redemptions of preferred stock is provided in ASC S99-2 and states that if a registrant redeems its preferred stock, the difference between (1) the fair value of the consideration transferred to the holders of the preferred stock and (2) the carrying amount of the preferred stock in the Company's balance sheet should be reflected in a manner similar to a dividend on preferred stock and subtracted from net income to arrive at income attributable to common shareholders in the calculation of earnings per share. A credit of \$118,182 resulted from the calculation under this method and has been added to net income to arrive at income attributable to common shareholders for the year ended December 31, 2012.

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The following is a summary of the Company's unaudited quarterly results of operations for the periods ended December 31, 2012 and 2011.

	For the three month periods ended December 31,	
	2012 (unaudited)	2011 (unaudited)
REVENUE	\$ 6,819,321	\$ 9,714,099
COST OF REVENUE	5,357,046	7,601,778
GROSS PROFIT	1,462,275	2,112,321
OPERATING EXPENSES:		
Depreciation	3,182	3,139
Selling, general and administrative	996,072	1,071,209
TOTAL OPERATING EXPENSES	999,254	1,074,348
OPERATING INCOME	463,021	1,037,973
OTHER INCOME (EXPENSES)		
Derivative income/(expense)	1,200	(17,911)
Interest income	188	4,306
Gain on sale of assets		789
Interest expense	(11,707)	(13,200)
TOTAL OTHER (EXPENSE)	(10,319)	(26,016)
INCOME BEFORE INCOME TAXES	452,702	1,011,957
INCOME TAX BENEFIT/(EXPENSE)	174,683	(397,467)
NET INCOME	\$ 627,385	\$ 614,490
Net Income Per Share (Basic)	\$ 0.04	\$ 0.04
Net Income Per Share (Fully Diluted)	\$ 0.04	\$ 0.03
Weighted Average Common Shares Outstanding	16,200,509	17,117,838
Weighted Average Common and Common Equivalent Shares Outstanding	16,200,509	20,650,780

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Our business segments consist of factory-built housing and financial services. Our financial services business commenced during the fourth quarter of 2009 to provide dealer inventory-secured financing for houses built by the Company. Our chief decision making officer considers income (loss) from operations as the basis to measure segment profitability. The following table summarizes net sales, income (loss) from operations, and identifiable assets by segment for the years ended December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011
Revenues from external customers		
Factory-built housing	\$ 25,616,574	\$ 28,544,015
Financial Services	604,082	487,617
Total Revenues	\$ 26,220,656	\$ 29,031,632
Income from operations		
Factory-built housing	\$ 1,209,987	\$ 2,206,954
Financial services	191,897	142,038
General corporate expenses	(586,895)	(527,041)
Total Income from operations	\$ 814,989	\$ 1,821,951
Identifiable assets by segment		
Factory-built housing	\$ 9,637,655	\$ 13,889,545
Financial Services	8,102,910	6,851,171
Other	95,257	176,435
	\$ 17,835,822	\$ 20,917,151

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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 Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

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).

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.

* We do not have an audit committee or an independent audit committee financial expert. While not being legally obligated to have an audit committee or independent audit committee financial expert, it is the management's view that to have an audit committee, comprised of independent board members, and an independent audit committee financial expert is an important entity-level control over the Company's financial statements. Currently, the Board does not have sufficient independent directors to form such an audit committee. Also, the Board of Directors does not have an independent director with sufficient financial expertise to serve as an independent financial expert.

* Due to the complex nature of recording derivatives and similar financial instruments, we noted a need for increased coordination and review of techniques and assumptions used in recording derivatives to ensure accounting in conformity with generally accepted accounting principles.

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.

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:

*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.

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*The Company has hired an outside consultant to assist with controls over the review and application of derivatives to ensure accounting in conformity with generally accepted accounting principles.

*Board to review and make recommendations to shareholders concerning the composition of the Board of Directors, with particular focus on issues of independence. The Board of Directors to consider nominating an audit committee and audit committee financial expert, which may or may not consist of independent members.

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

No change in the Company's internal control over financial reporting occurred during the quarter ended December 31, 2012, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT****Directors and Executive Officers**

As of March 1, 2013, 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
Charles G. Masters	73	President and Chief Executive Officer of Deer Valley Corporation	January 18, 2006 to Present
		Class II Director of Deer Valley Corporation	January 18, 2006 to Present (term expires at next meeting of shareholders)
		President and Member of Board of Directors of DVFC	August 18, 2009 to Present
Joel Stephen Logan, II	44	President of DVH	September 22, 2006 to Present
		Chief Operating Officer and Vice President of Deer Valley Corporation	March 1, 2013 to Present

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		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
Charles L. Murphree, Jr.	51	Vice President and Regional Sales Director of DVH	September 22, 2006 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
John Steven Lawler	44	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
John N. Giordano	55	Class III Director of Deer Valley Corporation	July 27, 2006 to Present (term expires at next meeting of shareholders)
Shadron Stastney	44	Class I Director of Deer Valley Corporation	November 5, 2010 to Present (term expires at next meeting of shareholders)

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Experience

Charles G. Masters, Chief Executive Officer, President and Director of Deer Valley Corporation. In March 1998, Mr. Masters founded and served as CEO and CFO of Bumgarner Enterprises, Inc., an oil and gas exploration, development and a business consulting firm. From 2001 to present, Mr. Masters has also served as Director, CEO and CFO of Ranger Industries, Inc. Mr. Masters has founded and served as the CEO and CFO of several private companies involved in the development and production of military electronic communications and test equipment, pioneering the introduction of microprocessors into point of sale equipment, medical equipment, artificial intelligence devices, and laser scanners. Mr. Masters received a B.S.E.E. (1961) from Duke University, a M.S.E.E. (1964) from the University of Pittsburgh and a M.S.M.S. (1966) from Johns Hopkins University.

Joel Stephen Logan, II, Chief Operating Officer and Director of Deer Valley Corporation and President and Director of DVH. 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.

Charles L. Murphree, Jr., Member of the Board of Directors of Deer Valley Corporation and of DVH, 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 2003,

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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.

John Steven Lawler, Chief Financial Officer, Executive Vice President and Director of Deer Valley Corporation and Chief Financial Officer and Director of DVH. 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.

John N. Giordano, Director of Deer Valley Corporation. For the past five years Mr. Giordano has served as Chair of the Business, Tax and Corporate Finance Practice Group at Bush Ross, P.A., a Tampa, Florida law firm. He is regularly involved in complex business-related transactions, has extensive experience in a broad range of areas, including federal and state securities law, corporate finance, mergers, acquisitions, and tax law, and has acted as general corporate counsel for numerous Florida-based public and private corporations. Mr. Giordano attended the University of Florida, where he received a B.S., a J.D., and an L.L.M. in taxation.

Shadron Stastney, Director of Deer Valley Corporation. Mr. Stastney is a founding partner of Vicis Capital LLC. He graduated from the University of North Dakota in 1990 with a B.A. in Political Theory and History, and from Yale Law School in 1994 with a J.D. focusing on corporate and tax law. From 1994 to 1997, he worked as an associate at Cravath, Swaine and Moore in New York, where he worked in the tax group and in the corporate group, focusing on derivatives. In 1997, he joined CSFB's then-combined convertible/equity derivative origination desk. From 1998 through 2001, he worked in CSFB's corporate equity derivatives origination group, eventually becoming a Director and Head of the Hedging and Monetization Group, a joint venture between derivatives and equity capital markets. In 2001, he jointly founded Victus Capital Management, LP, and in 2004, he jointly founded Vicis Capital LLC.

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.

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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 last fiscal year or prior fiscal years, except as otherwise set forth below:

Section 16(a) Beneficial Ownership Reporting Compliance

Name of Filer	Title	# of Late Reports	# of Transactions not timely reported	# of Failure to File
Charles L. Murphree, Jr	Officer/ Director	1	4	0

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 appoint independent members to the Board of Directors before adopting such a code. The Company is actively searching for individuals who would be considered independent, as well as qualified to serve as directors.

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 small business issuer's board of directors.

Audit Committee

We do not currently have a standing audit committee. The Company's Chief Executive Officer is actively researching candidates for membership on the Board of Directors who would be independent and who, accordingly, could serve on an audit committee. The entire Board of Directors is currently performing the equivalent functions of an audit committee, none of whom have been determined to be an audit committee financial expert.

Audit Committee Financial Expert

We do not currently have an audit committee financial expert as defined under Item 407(e) of Regulation S-K. As discussed above, our Board of Directors plans to form an Audit Committee. In addition, the Board is actively seeking to appoint an individual to the Board of Directors and the Audit Committee who would be deemed an audit committee financial expert.

Table of Contents**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 31, 2012 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⁾	2012	\$ 150,000			\$			\$ 10,000 ⁽¹²⁾	\$ 160,000
	2011	\$ 150,000			\$			\$ 10,000 ⁽¹²⁾	\$ 160,000
Joel Stephen Logan, II ⁽²⁾	2012	\$ 84,250	\$		\$	\$ 36,954 ⁽⁵⁾		\$ 10,000 ⁽¹²⁾	\$ 131,454
	2011	\$ 66,500	\$ 308		\$	\$ 167,125 ⁽⁶⁾		\$ 10,000 ⁽¹²⁾	\$ 244,433
Charles L. Murphree, Jr. ⁽³⁾	2012	\$ 78,000	\$		\$	\$ 92,113 ⁽⁷⁾		\$ 19,637 ⁽¹¹⁾	\$ 186,183
	2011	\$ 66,500	\$ 308		\$	\$ 84,119 ⁽⁸⁾		\$ 17,156 ⁽¹¹⁾	\$ 168,583
John Steven Lawler ⁽⁴⁾	2012	\$ 78,000	\$		\$	\$ 71,612 ⁽⁹⁾		\$ 10,000 ⁽¹²⁾	\$ 159,612
	2011	\$ 66,500	\$ 308		\$	\$ 80,304 ⁽¹⁰⁾		\$ 10,000 ⁽¹²⁾	\$ 157,612

- (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 2012 and 2011.
- (2) Mr. Logan is a Director and Chief Operating Officer of the Company and President of Deer Valley Homebuilders, Inc., a material operating subsidiary of the Company acquired on January 18, 2006. Mr. Logan's bonus of \$308 for 2011, is a Christmas bonus paid to each employee of Deer Valley Homebuilders, Inc.
- (3) Mr. Murphree is Director of the Company and Executive Vice President and General Manager of Deer Valley Homebuilders, Inc, a material operating subsidiary of the Company acquired on January 18, 2006. Mr. Murphree's bonus of \$308 for 2011, is a Christmas bonus paid to each employee of Deer Valley Homebuilders, Inc.
- (4) Mr. Lawler is Director, Chief Financial Officer and Executive Vice President of the Company and Chief Financial Officer of Deer Valley Homebuilders, Inc, a material operating subsidiary of the Company acquired on January 18, 2006. Mr. Lawler's bonus of \$308 for 2011, is a Christmas bonus paid to each employee of Deer Valley Homebuilders, Inc.
- (5) Non-equity incentive plan compensation consisted of hitch bonuses and profit-sharing arrangements described in Employment Agreements with Named Executive Officers below. In 2012, Mr. Logan was paid \$27,240 as a hitch bonus, which includes \$3,180 accrued but unpaid in 2011, and \$78,105 in profit-sharing, which includes \$65,211 accrued but unpaid in 2011.
- (6) 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 2011, including a hitch bonus of \$3,180 and profit-sharing of \$65,211 accrued but unpaid in 2011. In 2011, Mr. Logan was paid \$50,160 as a hitch bonus, which includes \$1,320 accrued but unpaid in 2010, and \$83,859 in profit-sharing, which includes \$33,965 accrued but unpaid in 2010.
- (7) 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 2012, including a hitch bonus of \$2,520 and profit-sharing of \$31,736 accrued but unpaid in 2012. In 2012, Mr. Murphree was paid \$36,879 as a hitch bonus, which includes \$3,700 accrued but unpaid in 2011, and \$56,001 in profit-sharing, which includes \$31,323 accrued but unpaid in 2011.
- (8) 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 2011, including a hitch bonus of \$3,700 and profit-sharing of \$31,323 accrued but unpaid in 2011. In 2011, Mr. Murphree was paid \$26,698 as a hitch bonus, which includes \$1,567 accrued but unpaid in 2010, and \$40,279 in profit-sharing, which includes \$16,314 accrued but unpaid in 2010.

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- (9) 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 2012, including a hitch bonus of \$2,100 and profit-sharing of \$21,304 accrued but unpaid in 2012. In 2012, Mr. Lawler was paid \$32,290 as a hitch bonus, which includes \$1,855 accrued but unpaid in 2011, and \$46,077 in profit-sharing, which includes \$28,304 accrued but unpaid in 2011.
- (10) 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 2011, including a hitch bonus of \$1,855 and profit-sharing of \$28,304 accrued but unpaid in 2011. In 2011, Mr. Lawler was paid \$29,260 as a hitch bonus, which includes \$770 accrued but unpaid in 2010, and \$36,397 in profit-sharing, which includes \$14,742 accrued but unpaid in 2010.
- (11) Amount relates to health insurance premiums and director fees in the respective fiscal year.
- (12) 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, (b) entitled to receive a monthly hitch bonus of \$60.00 per floor produced by DVH, (c) is eligible to participate and receive 5.0% 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. 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 July 1, 2012, DVH entered into the First 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 \$78,000, (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 January 18, 2016. Mr. Lawler 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.

On September 7, 2007, Deer Valley Corporation entered into a one year employment agreement with Charles G. Masters, which renews automatically each subsequent year. Under the terms of Mr. Masters Employment Agreement, Mr. Masters is (a) entitled to receive a fixed annual salary of \$150,000, and (b) entitled to receive a bonus at the discretion of the independent directors of the Company.

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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).

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 31, 2012 with respect to services rendered by such persons.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name of Executive Officer	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Vested
	Number of Exercisable Securities Underlying Unexercised Options	Number of Unexercisable Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised 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 Shares That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested
-	-	-	-	-	-	-	-	-	-

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 31, 2012 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	2012	\$ 10,000						\$ 10,000
	2011	\$ 10,000						\$ 10,000
Shadron Stasney	2012	\$ 10,000						\$ 10,000
	2011	\$ 6,493						\$ 6,493

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

Table of Contents**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, 2013 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; Common Stock issuable upon conversion of derivative securities	Charles G. Masters, Member of the Board of Directors of Deer Valley Corporation, Chief Executive Officer and President of the Deer Valley Corporation ⁽³⁾	66,407 Direct/ Indirect ⁽³⁾	*
Common Stock	Joel Stephen Logan, II, Member of the Board of Directors of Deer Valley Corporation and of DVH, President of DVH	216,328 Direct Ownership	1.4%
Common Stock	Charles L. Murphree, Jr., Member of the Board of Directors of Deer Valley Corporation and of DVH, Executive Vice President and General Manager of DVH	144,353 Direct Ownership	*
Common Stock	John Steven Lawler, 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 Direct Ownership	*
Common Stock	John N. Giordano Member of the Board of Directors of Deer Valley Corporation ⁽⁴⁾	0 ⁽⁴⁾	0%
Common Stock	Shadron Stastney Member of the Board of Directors of Deer Valley Corporation ⁽⁵⁾	0 ⁽⁵⁾	0%

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Common Stock	Vicis Capital Master Fund ⁽⁶⁾	12,310,359	
		Direct Ownership ^{(5) (6)}	79.1%
Common Stock and derivative securities convertible into Common Stock	All executive officers and directors as a group (6 persons)	482,599	3.1%

* Less than 1%.

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

(2) Applicable percentage of ownership is based on 15,546,116, shares of common stock (excluding 2,240,068 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

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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) Consists of (a) 14,498 common shares directly owned by Charles G. Masters, (b) 35,242 common shares owned by Charles Masters spouse, (c) 16,667 common shares issuable upon exercise of the Company's Series B Common Stock Purchase Warrant owned by Charles Masters spouse. Charles G. Masters disclaims beneficial ownership of securities owned by his spouse, except to the extent of his pecuniary interest therein, and the inclusion of these shares in this filing shall not be deemed an admission of beneficial ownership of all of the reported shares for purposes of Section 16 or for any other purpose. The mailing address for Mr. Masters is 3030 N. Rocky Point Drive W, Suite 150, Tampa, FL 33607.
- (4) The address for Mr. Giordano is 1801 N. Highland Ave., Tampa, Florida 33602.
- (5) Vicis Capital LLC serves as the investment advisor to Vicis Capital Master Fund, For purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended, Vicis Capital LLC may be deemed to beneficially own, but has disclaimed ownership of, all shares owned by Vicis Capital Master Fund. The voting and dispositive power granted to Vicis Capital LLC by Vicis Capital Master Fund may be revoked at any time. Shadron Stastney, a member of Vicis Capital LLC and its chief operating officer, together with John Succo and Sky Lucas, have voting and dispositive control over these securities. No single natural person can exercise voting or investment power with respect to the securities owned by Vicis Capital Master Fund, and investment decisions with respect to these securities are made by a majority of these persons. The address for Vicis Capital Master Fund and Mr. Stastney is 445 Park Avenue, Suite 1901, New York, New York 10022.
- (6) On March 30, 2012 the Company entered into (i) a common stock redemption agreement wherein the Company purchased 1,096,291 shares of common stock; (ii) a securities redemption and purchase agreement wherein (a) the Company purchased 22,463 shares of Series C Preferred and 1,000,000 shares of Series E Preferred, representing 100% of the issued and outstanding shares of each class and convertible to 3,246,300 shares of common stock and (b) the Company purchased an option to purchase from Vicis Capital Master Fund's remaining 12,310,359 shares of common stock (the Option). The aggregate purchase price of the stock redemption agreement was \$3,200,000 and was allocated to the financial instruments acquired on the basis of relative fair value. The above referenced option is a freestanding forward contract with a call option (right to buy) element that provides for the Company's right and option, but not its responsibility, to purchase 12,310,359 shares, and no fewer shares, of its common stock until the Option expiration on June 1, 2013. The option provides for graduated exercise prices over the term to expiration: \$5,300,000 through June 1, 2012; thereafter, \$6,300,000 through August 1, 2012; thereafter, \$6,800,000 through December 1, 2012; and thereafter \$7,300,000 through the expiration date on June 1, 2013.

Change in Control and Acquisition

March 30, 2012 the Company entered into an option to purchase from Vicis Capital Master Fund's remaining 12,310,359 shares of common stock (the Option). The option provides for graduated exercise prices over the term to expiration: \$5,300,000 through June 1, 2012; thereafter, \$6,300,000 through August 1, 2012; thereafter, \$6,800,000 through December 1, 2012; and thereafter \$7,300,000 through the expiration date on June 1, 2013.

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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.

On March 30, 2012 the Company entered into (i) a common stock redemption agreement wherein the Company purchased 1,096,291 shares of common stock; (ii) a securities redemption and purchase agreement wherein (a) the Company purchased 22,463 shares of Series C Preferred and 1,000,000 shares of Series E Preferred, representing 100% of the issued and outstanding shares of each class and convertible to 3,246,300 shares of common stock and (b) the Company purchased an option to purchase from Vicis Capital Master Fund s remaining 12,310,359 shares of common stock (the Option). The aggregate purchase price of the stock redemption agreement was \$3,200,000 and was allocated to the financial instruments acquired on the basis of relative fair value.

The above referenced option is a freestanding forward contract with a call option (right to buy) element that provides for the Company s right and option, but not its responsibility, to purchase 12,310,359 shares, and no fewer shares, of its common stock until the Option expiration on June 1, 2013. The option provides for graduated exercise prices over the term to expiration: \$5,300,000 through June 1, 2012; thereafter, \$6,300,000 through August 1, 2012; thereafter, \$6,800,000 through December 1, 2012; and thereafter \$7,300,000 through the expiration date on June 1, 2013.

John N. Giordano, a director of the Company, 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 31, 2012.

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 definition of independence used by the American Stock Exchange, which can be found in the AMEX Company Guide, §121(A)(2) (2007). Under such definition, none of the directors of the Company are independent, because the Company s board of directors cannot affirmatively determine that any of its directors does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

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.

Table of Contents**Audit Fees Disclosure**

The aggregate following table presents fees for professional services rendered by Meeks International, LLC (Meeks) and Thomas Howell Ferguson P.A. (THF) for the audit of our annual financial statements for 2012 and 2011 and fees billed for audit-related services, tax services and all other services rendered by THF and Meeks for 2012 and 2011.

	THF 2012	Meeks 2012	Meeks 2011
Audit fees (a)	\$ 39,061	\$ 144,284	\$ 146,525
Tax fees	\$ 4,890	\$ 21,706	\$ 22,538
All other fees	\$	\$ 6,515	\$

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

Table of Contents**ITEM 15. EXHIBITS**

Exhibit No.	Description
3.01	Articles of Incorporation of Deer Valley Corporation (1)
3.02	Bylaws of Deer Valley Corporation (1)
4.01	Certificate of Designation, Rights, and Preferences of Series A Convertible Preferred Stock (1)
4.02	Certificate of Designation, Rights, and Preferences of Series C Convertible Preferred Stock (1)
4.03	Certificate of Designation, Rights, and Preferences of Series E Convertible Preferred Stock (2)
10.01	Form of Series B Common Stock Purchase Warrant (3)
10.02	Form of Loan Agreement (4)
10.03	Form of Commercial Promissory Note (4)
10.04	Form of Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (4)
10.05	Form of Guaranty of Loan, Cytation Corp. (4)
10.06	Form of Guaranty of Loan, DeerValley Acquisitions Corp. (4)
10.07	Form of Guaranty of Deer Valley Corporation (5)
10.08	Form of Guaranty of Deer Valley Corporation (5)
10.09	Deer Valley Corporation 2007 Long Term Incentive Plan effective July 1, 2007 (6)
10.10	Form of Stock Option Agreement (6)
10.11	Employment Agreement with Charles G. Masters (6)
10.12	Revolving Credit Loan and Security Agreement - \$7,500,000 Revolving Credit Loan (7)
10.13	Revolving Credit Note - \$7,500,000 (7)
10.14	Revolving Credit Loan and Security Agreement - \$5,000,000 Revolving Credit Loan (7)
10.15	Revolving Credit Note - \$5,000,000 (7)
10.16	Amendment to Loan Agreement - Real Estate Loan (8)
10.17	Amendment to Loan Agreement - \$7,500,000 Revolving Credit Loan (8)
10.18	Amendment to Loan Agreement - \$5,000,000 Revolving Credit Loan (8)
10.19	Amendment to Loan Agreement - Real Estate Loan (9)
10.20	Renewal Commercial Promissory Note - \$1,256,000(9)
10.21	Guaranty of Loan Agreement - Deer Valley Corporation (9)
10.22	Guaranty of Loan Agreement - Deer Valley Finance Corporation (9)
10.23	Second Amendment to Revolving Credit Loan and Security Agreement - \$5,000,000 (10)
10.24	Revolving Credit Note - \$5,000,000 (10)
10.25	Second Amendment to Revolving Credit Loan and Security Agreement - \$3,000,000 (10)
10.26	Revolving Credit Note - \$3,000,000 (10)
10.27	Third Amendment to Revolving Credit Agreement - \$5,000,000 (11)
10.28	Third Amendment to Revolving Credit Agreement - \$3,000,000(11)
10.29	Fourth Amendment to Loan Agreement - Real Estate Loan (11)

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10.30	First Amended and Restated Agreement - Joel Stephen Logan, II (12)
10.31	First Amended and Restated Agreement - Charles L. Murphree, Jr. (12)
10.32	First Amended and Restated Agreement - John Steven Lawler (12)
21.01	List of Subsidiaries of the Company. (13)
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 25, 2011. (13)
31.02	Certification of Acting Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 25, 2011. (13)
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 25, 2011. (13)
32.02	Certification of Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 25, 2011. (13)
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)

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- (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 January 25, 2006 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the Form 8-K filed with the SEC on June 1, 2006 and incorporated herein by reference.
- (5) Previously filed as an exhibit to the Form 10-KSB, filed with the SEC on April 11, 2007 and incorporated herein by reference.
- (6) Previously filed as an exhibit to the Form 10-QSB, filed with the SEC on November 6, 2007 and incorporated herein by reference.
- (7) Previously filed as an exhibit to the Form 8-K filed with the SEC on October 19, 2009 and incorporated herein by reference.
- (8) Previously filed as an exhibit to the Form 8-K, filed with the SEC on April 8, 2010 and incorporated herein by reference.
- (9) Previously filed as an exhibit to the Form 8-K, filed with the SEC on July 12, 2011 and incorporated herein by reference.
- (10) Previously filed as an exhibit to the Form 8-K, filed with the SEC on October 25, 2011 and incorporated herein by reference.
- (11) Previously filed as an exhibit to the Form 8-K, filed with the SEC on April 25, 2012 and incorporated herein by reference.
- (12) Previously filed as an exhibit to the Form 8-K, filed with the SEC on June 28, 2012 and incorporated herein by reference.
- (13) Filed herewith.
- (14) Pursuant to Rule 406T of Regulation S-T, these Interactive Data Files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to the liability under these sections.

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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/ Charles G Masters*
Charles G. Masters
President and Chief Executive Officer

Date: March 22, 2013

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 22, 2013.

Signature	Title
Charles G. Masters <i>/s/ Charles G Masters</i>	President, Chief Executive Officer (Principal Executive Officer) and Director
John S. Lawler <i>/s/ John S Lawler</i>	Chief Financial Officer (Principal Financial Officer and Accounting Officer) and Director
Joel S. Logan, II <i>/s/ Joel S Logan, II</i>	Chief Operating Officer and Director
Charles L. Murphree <i>/s/ Charles L Murphree</i>	Director
John N. Giordano <i>/s/ John N Giordano</i>	Director
Shadron Stastney <i>/s/ Shadron Stastney</i>	Director