2014 Undergraduate Analyst Report

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NVR

Analyst Report	Ticker: NVR	3/31/2014	UG Student Managed Fund

NVR, Inc.

Key Financial Metrics
As of March 31, 2014

Current Stock Price: $1,147.00	ROE: 19.44%	Net Profit Margin: 6.33%
Current Market Cap: $5.15bn	ROA: 10.47%	Debt/Equity Ratio: .475%
52 Week Range: $830-$1,220.95	ROIC: 14.05%	FCF/share: $53.03
Dividend: N/A	Dividend Yield: N/A	YoY Revenue Growth: 39.88%
Price/Earnings: 20.43	Price/Book: 4.03	# of shares: 4.47 million
Intrinsic Value: $1,375		# of diluted shares:

Recommendation	Closing Price as of 3/31/2014
BUY	**$1,147.00**

Stock Price Movement

Rationale

NVR is one of the few homebuilders that remained profitable during the most recent recession. This was possible because of a strong management team, a risk adverse lot acquisition strategy and a fortress balance sheet that management has used to buyback stock. We rate NVR a **BUY** with a price target of $1,234

Company Snapshot

Highlights

- 2013 Revenue was $4,211.3bn resulting in a EV/Revenue multiple of 1.15x
- 2013 Gross Profit was $786.5mm
- Free Cash Flow in 2013 was $258mm resulting in a 5.3% FCF yield
- Beat Earnings by $5 per share in Q4 compared to analyst estimates
- Recorded backlog of $1,845.6bn for 2014
- Increase in backlog home prices of 7%
- $438.1mm left under share repurchase program reflecting 8.5% of shares outstanding

Investment Risks

- The potential for a double dip housing recession
- An increase in interest rates, which effect NVR’s costs, the availability of construction financing and the long-term financing for potential purchasers of homes
- The availability of adequate land in desirable locations on favorable terms
- Regulations resulting in a tightening credit market for homebuyers
- While 2014 backlog dollars increased by 7% total units decreased by 1%

Industry Overview

The housing sector carries great importance in terms of general economic well being. With most people requiring some type of lodging and the high costs of purchasing a home – the median single-family home price is approximately $261,800 – housing is one of the largest expenses and investments for the typical American family. Homebuilders play an instrumental role in this sector, supplying single-family, multi-family and condominium homes to the marketplace. The vital product provided by homebuilders is one that will likely always be demanded by American consumers, giving this industry long-term sustainability.

Despite the long-term need for homes, the homebuilding industry is subject to volatile performance based on the health of the overall economy. No other time in history is a better example of this than the recent 2008 financial crisis. Widely being attributed to a housing bubble, the run-up to the 2008 recession saw home prices reaching all-time highs, before eventually crashing back down as a result of wide spread defaults resulting in a nationwide foreclosure crisis. Although this was a housing crisis, less fault falls on the shoulders of homebuilders than on investment banks and mortgage brokers who were over originating mortgages to underqualified buyers in order to package them up into mortgage-backed securities (MBS). These actions led to unsustainable home prices, which sank the economy, and in turn, severely impacted many of the homebuilders.

Since the crisis however, homebuilders have been recovering well. Going forward, the industry should continue to rebound from the crisis, but new regulations could have lingering effects on an already highly regulated industry. The table below displays the five largest homebuilders' earnings per share since 2006. As you can, most of the homebuilders were unprofitable during the early recession years between 2007 and 2009. Since that point the builders have begun to rebound and all five have been profitable since 2012. NVR is the company of the top five homebuilders to remain profitable through the recession years.

Five Largest Homebuilders' Historic EPS

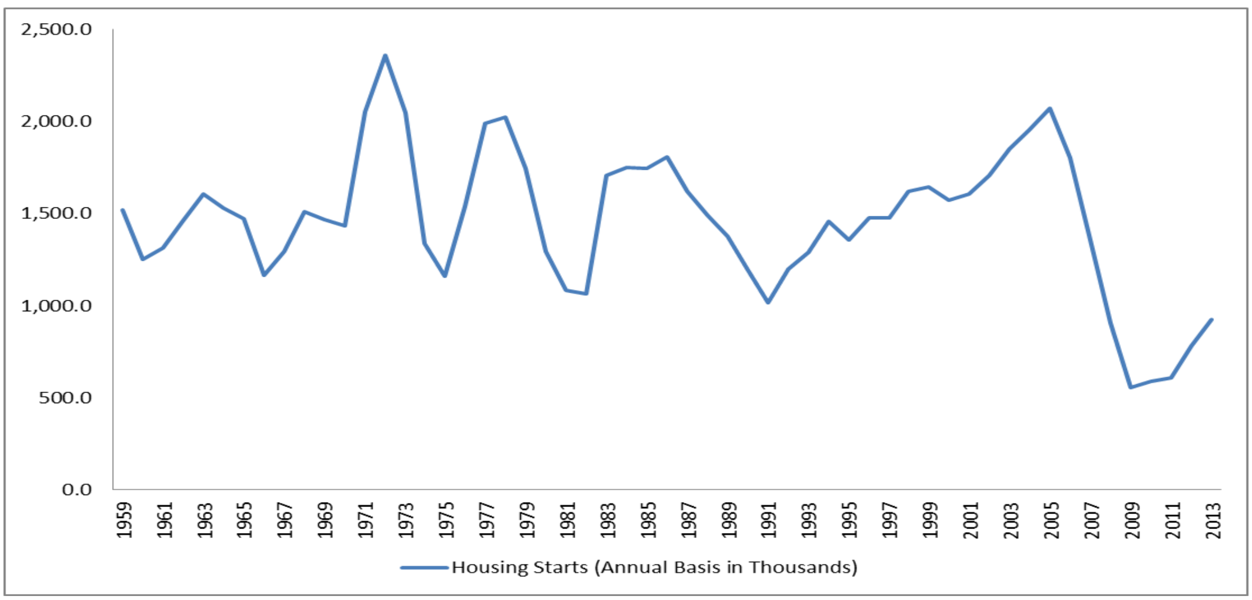
EPS in $ Per Share	2006	2007	2008	2009	2010	2011	2012	2013
Lennar Corp ($8.1bn)	3.69	(12.31)	(7.00)	(2.45)	0.51	0.49	0.86	2.15
PulteGroup ($7.32bn)	2.67	(9.02)	(5.81)	(3.94)	(2.90)	(0.55)	0.54	1.49
D.R. Horton ($7.01bn)	3.90	(2.27)	(8.34)	(1.73)	0.77	0.23	0.73	1.33
Toll Brothers ($6.38bn)	4.17	0.22	(1.88)	(4.44)	0.10	0.38	0.94	1.16
NVR ($5.13bn)	88.05	54.14	17.04	31.26	33.42	23.01	35.12	54.81

The federal government is addressing the underwriting issue, which led to large amounts of underqualified buyers receiving mortgages in the run-up to the crisis. New standards include an "Ability-to-Repay" rule, which prohibits lenders from approving mortgages to those who don't meet certain credit score or debt-to-income ratio benchmarks. Other changes will be across the board increases in background checks, requiring lenders to better verify that borrowers can afford the houses they wish to purchase. Although these standards will only directly affect those homebuilders that have mortgage broker subsidiaries, they could have indirect effects on home prices, which in turn will impact all homebuilders. However, although these standards could restrict the supply of people seeking to purchase a home, they will also result in a higher qualified end buyer. This could reduce default rates and lead to long-term overall less volatile changes in home prices, a positive for the industry and the homebuilders who operate in it.

These new regulations only add to an already large amount of regulation faced by homebuilders, who currently have to deal with local, state and federal guidelines. A study by the National Association of Home Builders in 2011 states that 25% percent of the final price of a new single-family home is due to government regulations. These regulations can include permit fees and development standards at the local level, state-wide building codes at the state level, and additional permit requirements, as well as now new mortgage standards at the federal level.

Looking forward, we expect homebuilders to continue to rebound from their historic lows during the recession years. Interest rates remain at historic lows (see **Exhibit F** for fixed mortgage rates since 1971) and the Federal Reserve has continued to indicate they will keep it this way for the short-term; this coupled with the high cost of rental properties and the pent up demand from first time homebuyers leads us to believe that the housing sector will to continue to improve. Leading indicators such as housing starts, at around 907,000 on an annual basis, and housing permits of 1,018,000 on an annual basis, are still well below historic averages of 1,500,000 annually and 1,400,000 annually respectively. Below is a graph of historical annual housing starts since 1959, demonstrating how far current data is below historical levels. The amount of expenditures on housing is also below historic lows, with residential fixed investment and housing services at only 15.5% of GDP, versus an historic average of around 18%. As the general economy continues to heal, demand for homes will continue to rise, as higher wage rates counteract the negative impact of higher mortgage rates. This dynamic will push the starts and permits indicators back towards their long-run equilibrium, which will symbolize higher revenues and profits for homebuilders going forward.

Historic Housing Starts From 1959-Present



Business Overview

NVR constructs and markets single-family detached homes, townhouses, and condominium buildings. NVR also operates a mortgage banking business through a wholly owned subsidiary, NVR Mortgage Finance, Inc. They operate in four geographic locations including the Mid-Atlantic, Northeast, Mideast, and Southeast. See Exhibit B in the appendix for a breakdown of the different segments.

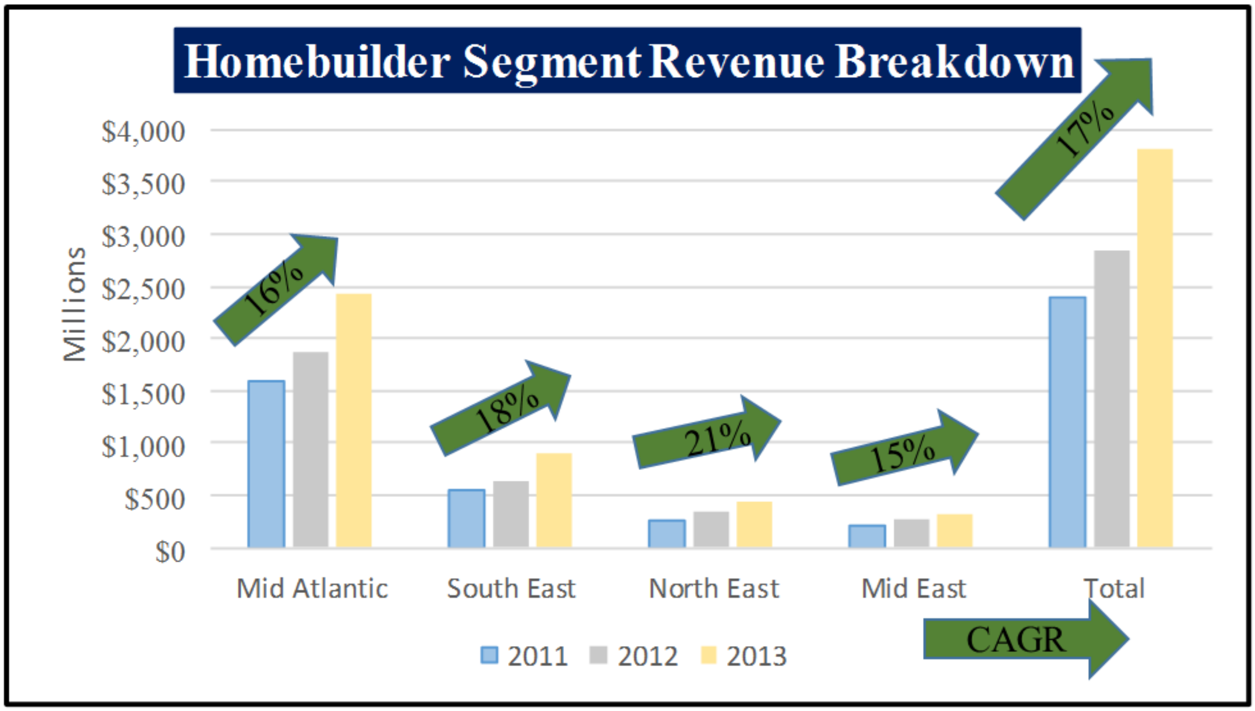
Lot Acquisition Strategy

NVR is one of the few homebuilders with a specialized lot acquisition strategy. NVR does not generally engage in land development, instead they acquire finished building lots at market prices from various land developers under fixed price agreements that require deposits. If NVR fails to act under the contract than that deposit may be forfeited. These deposits vary, but typically range up to 10% of the aggregate purchase price of the finished lots. This is one of the main reasons that NVR has been able to remain profitable even doing the housing crash.

This strategy reduces the financial requirements and risks associated with direct land ownership and development. As of the end of 2013, NVR had 64,600 lots through lot purchase agreements for an aggregate value of $5.8bn. Through this acquisition strategy NVR only has deposits of approximately $372mm in the form of cash and letters of credit. This has historically allowed them to leverage themselves without the financial obligation and necessary capital.

Segment Breakdown and Washington DC-Baltimore Metro Area Analysis

NVR breaks its performance into four reportable homebuilding segments and operates in the four geographic regions, Mid Atlantic, North East, Mid East and South East. The Mid Atlantic segment, which includes the Washington DC-Baltimore Metro area, represented 59% of NVR's homebuilding revenue in 2013. NVR's headquarters are located in Reston, Virginia and they have been operating in the region since its inception, which has aloud them to develop a a specialized expertise that few other companies possess in this region. Freddie Mac's recent Muli-Indicator Market Index ranked D.C. as one of the nation's top three most stable housing markets. While the D.C. Metro area remains relatively weak ranking just number 19 out of 50, it continues to improve. In addition to the continued improvement in the D.C. Metro area, according to an article written by CNN Money, Baltimore Metro is in the top 10 hottest housing markets for 2014 with an estimated 8% increase in home prices through September 2014. We are excited about the opportunities the Mid Atlantic Segment holds and expect to see favorable results through 2014.



Mortgage Business
NVR is able to compliment its homebuilding segment with its mortgage-banking subsidy (NVRM). NVRM sells all of the loans they originate into the secondary mortgage market within 30 days of closing. The underwriting standards for these mortgages typically are equal to or more stringent than the underwriting standards required by FNMA, VA and FHA. In 2013, NVRM closed approximately 8,600 loans with a total value of $2.5bn as compared to 2012 in which they closed 8,000 loans with a value of $2.2bn.

Management Expertise
Paul Saville is currently the CEO and has been running the company since July 2005. He has also held various positions at NVR including SVP, CFO and Treasurer since September 1993. Even at age 58, Mr. Saville has no plans of leaving NVR and is working with a young management team including Daniel Malzahn CFO age 44, who just recently was promoted to CFO in February 2013, Robert Henley President of NVRM age 47 and Eugene Bredow VP and controller, age 44. It is very encouraging to see a long time employee leading the company, while grooming the next generation of executives under a business plan that has proven effective for decades. Because of the management team we see no indication that management will change or negatively impact the company in the coming years.

One positive action that management took over the past few years was when NVR ended a nearly decade long hiatus from the debt market in 2012 with a $600mm offering of 3.95% notes due in 2022. We see this as a very positive note for NVR because they were able to use this cheap money to fund the repurchase of shares through the end of 2012 and into 2013.

Growth Factors

Operating in the homebuilding segment, much like a Coca Cola or Pepsi, gives NVR the opportunity two have a two-tiered growth model. The first way that NVR is going to be able to grow revenues through an increase in home sales. We projected a 3% increase in units sold in the next two years and then decrease to 2% over the next three years. The second way that NVR is going to grow its revenues is through the increase in housing prices. At the end of 2013 NVR's backlog dollars increased 7%, while backlog units decreased by 1%. In the short term we suspect to continue to see an increase in home prices relative to inflation, but as time progress we expect growth to remain around inflation, or 3%. Therefore we expect to see an increase in prices of 7% over the next two years and than an increase of 5% over the next three years.

A third and very important EPS growth catalyst for NVR is share repurchases. In 2013 NVR repurchases a total of 581,387 shares of common stock at an aggregate purchase price of $554,491,000 resulting in purchases around 11% of their shares outstanding. NVR announced in December 2013 that they would be increasing the share repurchase program by an additional $300mm. The ending value of repurchases at the end of 2013 was $438mm resulting in a total of $1,495.2mm since the beginning of 2010. Reducing shares outstanding can have a dramatic effect on EPS, which has helped NVR beat EPS estimates in the past few quarters. We expect NVR to complete the rest of its share repurchases by the end of 2013 and announce an additional $300mm by the beginning of 2015. While this aggressive repurchase program has only been made possible by the issuance of a $600mm 10-year bond, we believe NVR can continue to buyback $300mm of shares per year past 2014 with FCF. Even if NVR fails to grow revenues we believe EPS will increase due to these share buybacks. Just in 2014, because of share repurchases, NVR will increase its EPS by $5.00 per share from an estimated $65 to $70 earnings per share for the 2014 fiscal year.

Another way for companies to grow is through acquisitions. In the real estate and homebuilder space, it is rare to see entire companies being acquired. What is more common is specific lots, or a group of assets being purchased from another company. While it will not have a material impact on earnings or revenue, one small acquisition that NVR made at the end of 2012 was the purchase and assumption of certain liabilities and all assets of Heartland Homes, Inc., which operates primarily in the Pittsburg, Pennsylvania market for $17mm in cash of which $2mm was deferred and will be paid off during last year and this year.

Risk Factors

General Risk

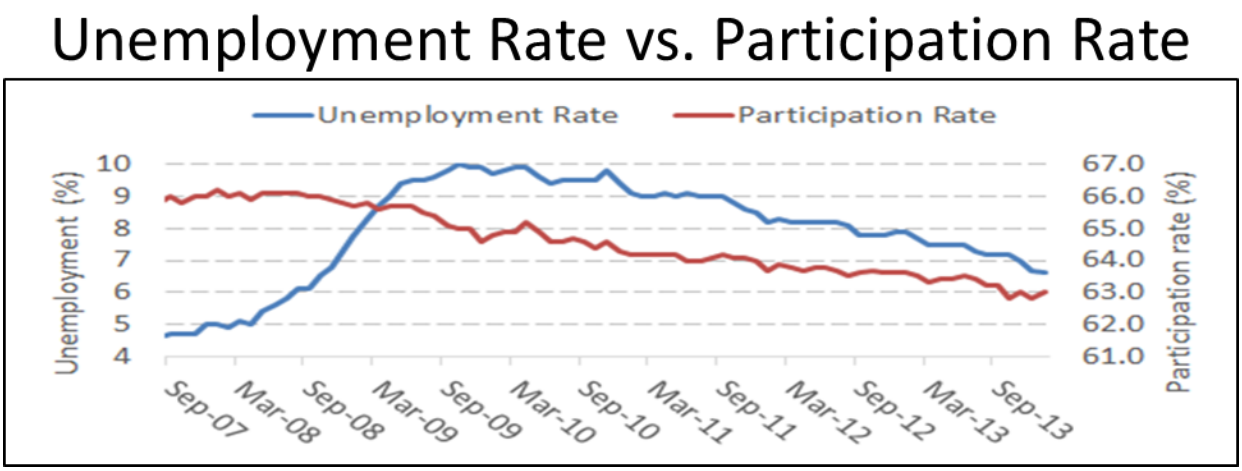
The housing market is affected by mortgage rates. An unexpected increase in mortgage rates will hurt NVR in multiple ways. NVR's mortgage service business, NVRM, will experiences losses on their current fixed rate loan portfolio for all loans with rates below the new market price. Secondly, high interest rates will increase the cost of purchasing a new home, which will reduce overall demand for housing. This lack of demand could have a significant impact on the profitability of NVR by reducing the amount of homes constructed, as well as the price of homes in the marketplace.

Mortgage Business Risk

NVR operates its own mortgage related servicing business NVRM, which originates mortgage loans exclusively for their homebuilding customers. As of 2013, NVRM closed approximately 8,600 loans with a principle amount of $2.5bn. Typically, NVRM will sell these mortgage loans to the secondary market within 30 days of closing. The natural risk of operating a mortgage related business results from the risk of borrower default. Although this risk is effectively neutralized by NVRM selling their mortgages to the secondary market, new Dodd-Frank regulations will affect NVRM in several ways. Firstly, securitizers of MBS are now required to retain at least 5% of the credit risk in the assets they securitize. This may reduce the notional amount of MBS originated which could hurt demand from investment banks for mortgage loans, reducing NVRM's ability to sell their mortgages in the secondary market. As a result, NVRM could potentially be greater exposed to the credit risk of their mortgage loans. Secondly, new regulations in Dodd-Frank set higher minimum standards for mortgage loans, including an "Ability to Repay" provision which will set required debt-to-income ratio and credit scores. Furthermore, mortgage originators will be liable if they issue mortgages in violation of these new provisions, and will be forced to pay the greater amount of actual damages or an amount equal to 3 times the compensation the originator earned on that loan.

Double-Dip Recession

The homebuilding industry moves almost parallel to the general economy and therefore the industry could be severely negatively affected if the country experienced a double-dip recession. Currently, unemployment is at 6.7%, one of the lowest levels it has been since 2008. However, this number may be artificially lower because of less people who are actively seeking work; with many Americans discouraged at the still poor job market. The graph below shows both the unemployment rate and participation rate since 2007; it is clear from this chart that at least a piece of the reduction in unemployment comes from a decrease in the participation rate. Although most signs do seem to indicate that the U.S. is on its way out of the recession, there is always the chance that the job market woes persist and the country slips back into recession. This will result in instability in the housing market, a loss in consumer confidence, and ultimately poor sales for homebuilders.



Aggregation Risk

As discussed in this report, NVR operates primarily in the Washington DC-Baltimore Metro area, which represented 59% of NVR's 2013 homebuilding revenue. The highly situated nature of NVR's business model could result in a potential over-saturation of their primary Washington DC-Baltimore Metro area. On top of this, NVR's profitability will be more affected by dynamics in the Washington DC-Baltimore Metro area then all of their main competitors. Therefore, a natural disaster or housing crisis that affected just this area would have severe effects on NVR; will having less of an effect on other homebuilders.

Non-Mortgage Related Regulation

NVR is subject to various local, state and federal statutes regarding zoning regulations, building design, and necessary permits. These regulations work to increase the cost of creating homes, both through lost time while going through necessary inspections, and through increased expenses such as permit fees. The aggregated nature of their business will make NVR susceptible to severe changes in non-mortgage related regulations in the Washington DC-Baltimore Metro area, as well as general changes in the United States.

Valuation Highlights

- We valued NVR using the discounted cash flow analysis by forecasting out NVR's income statement and free cash flow for five years coupled with a terminal growth rate on a sixth year discounted at a weighted average cost of capital (WACC) of 10%.
- Our reasoning for growing NVR's revenue at three different growth rates is due to the following:
    - Home Price Growth: In the short term we believe that housing will continue to recover and thrive in the segments that NVR operates. Backlog home prices increased 7% going into 2014, but we only believe this strength will last the next couple of years. Starting in 2016, we believe that home prices in NVR's segments will continue to increase at a more sustainable rate of 5%. Going into perpetuity, we expect home prices to increase at the average rate of inflation, 3%.
    - Incremental Unit Sales Growth: While backlog units decreased by 1% going into 2014 we do not see this weakness continuing throughout 2014. The abnormally cold and long winter has had a negative impact on unit sales and going into summer we believe that NVR will increase their unit sales over the next five years at 3%. Going into perpetuity, at a very conservative number that NVR will be able to increase unit sales by 1.5%.
    - Total Growth: Our growth estimates for 2014 and 2015 call for a 10% increase in revenue, which reflects a 7% increase in home prices and a 3% increase in unit sales. For 2016-2018 we revised our growth down to 8% reflecting a 2% decrease in home price increase. Our terminal growth rate of 4.5% is a result of home price increase at inflation and a continued unit sales growth of 1.5%.
- NVR has a current WACC of 9%, which reflects its cost of debt ($600mm 3.95% 10-year bond) and its cost of equity. We decided that due to the current interest rate environment where the Fed has left interest rates at all time lows to use a standard WACC of 10%. This reflects a more conservative discount rate that would be reflective of a normal interest rate environment.
- When looking at the effective tax rate going forward we calculated the previous three years average tax rate (35%) and used that going forward.
- When Deriving at FCF we decided to grow out depreciation, capital expenditures and working capital at that current years revenue growth rate.
- To get a valuation range we decided to provide a sensitivity analysis around are WACC and our terminal growth rate. We have a price target of $1,234 and have a valuation range between $1064 and $1,478 a share.

Appendix

Exhibit A: Valuation Tables

DCF for NVR

in thosands	Historical			Projections					
Year (yyyy)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Date (mm/dd/yy)	*12/31/11*	*12/31/12*	*12/31/2013*	*12/31/14*	*12/31/15*	*12/31/16*	*12/31/17*	*12/31/18*	*12/31/19*
Net Revenues	2,663,450.00	3,188,136.00	4,215,229.00	4,636,751.90	5,100,427.09	5,508,461.26	5,949,138.16	6,425,069.21	6,682,071.98
% growth		*16.46%*	*24.37%*	*10.00%*	*10.00%*	*8.00%*	*8.00%*	*8.00%*	*4.00%*
SG&A+COGS	2,500,581.00	2,910,598.00	3,779,827.00	4,196,260.47	4,615,886.52	4,985,157.44	5,383,970.03	5,814,687.64	6,047,275.14
% SG&A+COGS	93.89%	91.29%	89.67%	90.50%	90.50%	90.50%	90.50%	90.50%	90.50%
EBITDA	202,796.00	274,506.00	427,690.00	470,459.00	517,504.90	558,905.29	603,617.72	651,907.13	677,983.42
% margin	*7.6%*	*8.6%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*
Less: D&A	6,672.00	8,100.00	13,391.00	14,730.10	16,203.11	17,499.36	18,899.31	20,411.25	21,227.70
EBIT	209,468.00	282,606.00	441,081.00	485,189.10	533,708.01	576,404.65	622,517.02	672,318.38	699,211.12
Less: taxes	78,156.00	94,489.00	152,219.00	169,816.19	186,797.80	201,741.63	217,880.96	235,311.43	244,723.89
Tax Rate	37.31%	33.43%	34.51%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
EBIT(1-T)	131,312.00	188,117.00	288,862.00	315,372.92	346,910.21	374,663.02	404,636.06	437,006.95	454,487.23
Add: D&A	6,672.00	8,100.00	13,391.00	14,730.10	16,203.11	17,499.36	18,899.31	20,411.25	21,227.70
less: CapEx	11,444.00	12,365.00	19,016.00	20,917.60	23,009.36	24,850.11	26,838.12	28,985.17	30,144.57
Less: Change in working Capital		(17,417.00)	24,785.00	27,263.50	29,989.85	32,389.04	34,980.16	37,778.57	39,289.72
Free Cash Flow		**201,269.00**	**258,452.00**	**281,921.92**	**310,114.11**	**334,923.24**	**361,717.09**	**390,654.46**	**406,280.64**

Value of Operations: DCF approach

Year	Free Cash Flow	Discount Factor (10% Discount Rate)	PV of FCF
2014	281,921.92	0.909	256,292.65
2015	310,114.11	0.826	256,292.65
2016	334,923.24	0.751	251,632.78
2017	361,717.09	0.683	247,057.64
2018	390,654.46	0.621	242,565.68
2019	408,233.91	0.564	230,437.40
Terminal Value	7,422,434.77	0.564	4,189,770.92
Enterprise Value			5,674,049.73

Value of Equity

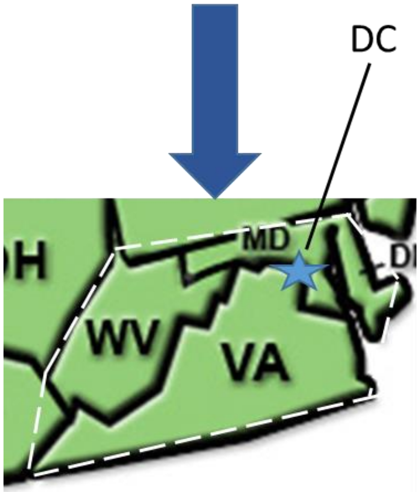
Enterprise Value	5,674,049.73
Less: Debt	(599.1)
Add: Cash	865.6
Equity Value	5,674,316.23
Shares Outstanding	4,598
Value Per Share	1,234.08

Terminal Growth Rate

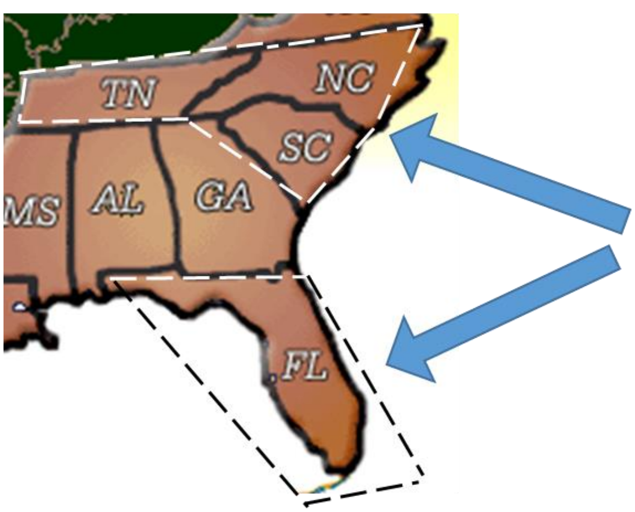
Discount Rate	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
8.5%	$1,313	$1,416	$1,542	$1,699	$1,901	$2,170	$2,547
9.0%	$1,202	$1,286	$1,387	$1,510	$1,663	$1,861	$2,124
9.5%	$1,108	$1,178	$1,260	$1,358	$1,478	$1,628	$1,821
10.0%	$1,028	$1,086	$1,154	$1,234	$1,330	$1,448	$1,594
10.5%	$958	$1,007	$1,064	$1,131	$1,209	$1,303	$1,418
11.0%	$897	$939	$988	$1,043	$1,108	$1,185	$1,277
11.5%	$843	$880	$921	$968	$1,023	$1,086	$1,161

Exhibit B: Segment Breakdown by Geographic Region

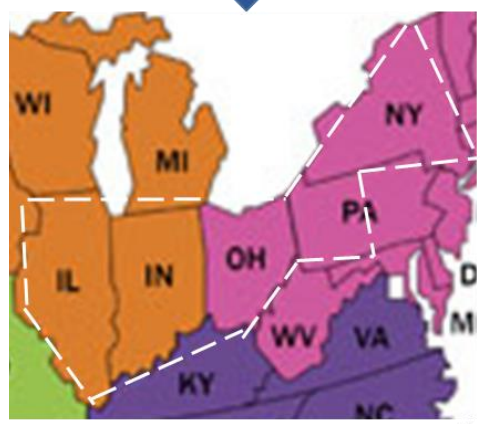
Mid Atlantic Segment
2013 Rev: 59%



South East Segment
2013 Rev: 11%



Mid East Segment
2013 Rev: 22%



North East Segment
2013 Rev: 8%

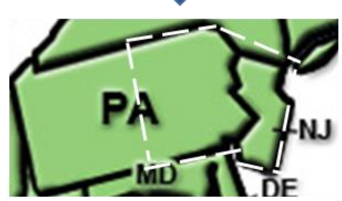


Exhibit C: Balance Sheet

Period Ending	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Assets			
Current Assets			
Cash And Cash Equivalents	865,585	1,152,601	480,332
Short Term Investments	-	-	-
Net Receivables	171,907	155,039	162,670
Inventory	738,565	678,131	533,150
Other Current Assets	-	-	-
Total Current Assets	-	-	-
Long Term Investments	210,641	188,929	252,352
Property Plant and Equipment	37,298	29,481	24,937
Goodwill	48,927	48,927	48,927
Intangible Assets	6,747	9,219	-
Accumulated Amortization	-	-	-
Other Assets	406,478	342,515	277,117
Deferred Long Term Asset Charges	-	-	-
Total Assets	**2,486,148**	**2,604,842**	**1,779,485**
Liabilities			
Current Liabilities			
Accounts Payable	519,688	418,936	337,467
Short/Current Long Term Debt	3,365	4,574	4,983
Other Current Liabilities	101,022	99,687	61,223
Total Current Liabilities	-	-	-
Long Term Debt	599,075	598,988	-
Other Liabilities	1,646	2,180	1,013
Deferred Long Term Liability Charges	-	-	-
Minority Interest	-	-	-
Negative Goodwill	-	-	-
Total Liabilities	**1,224,796**	**1,124,365**	**404,686**
Stockholders' Equity			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	206	206	206
Retained Earnings	4,605,557	4,339,080	4,158,492
Treasury Stock	(4,556,461)	(4,028,508)	(3,856,678)
Capital Surplus	1,212,050	1,169,699	1,072,779
Other Stockholder Equity	-	-	-
Total Stockholder Equity	**1,261,352**	**1,480,477**	**1,374,799**
Net Tangible Assets	**1,205,678**	**1,422,331**	**1,325,872**

Exhibit D: Income Statement

View: **Annual Data** | Quarterly Data

All numbers in thousands

Period Ending	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Total Revenue	**4,215,229**	**3,188,136**	**2,663,450**
Cost of Revenue	3,424,204	2,575,639	2,165,625
Gross Profit	**791,025**	**612,497**	**497,825**
Operating Expenses			
Research Development	-	-	-
Selling General and Administrative	355,623	334,959	294,515
Non Recurring	-	-	-
Others	-	-	-
Total Operating Expenses	-	-	-
Operating Income or Loss	**435,402**	**277,538**	**203,310**
Income from Continuing Operations			
Total Other Income/Expenses Net	5,679	5,068	6,158
Earnings Before Interest And Taxes	441,081	282,606	209,468
Interest Expense	22,385	7,529	1,892
Income Before Tax	418,696	275,077	207,576
Income Tax Expense	152,219	94,489	78,156
Minority Interest	-	-	-
Net Income From Continuing Ops	266,477	180,588	129,420
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-
Net Income	**266,477**	**180,588**	**129,420**
Preferred Stock And Other Adjustments	-	-	-
Net Income Applicable To Common Shares	**266,477**	**180,588**	**129,420**

Exhibit E: Statement of Cash Flows

Period Ending	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net Income	**266,477**	**180,588**	**129,420**
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	13,391	8,100	6,672
Adjustments To Net Income	(28,179)	126,899	10,691
Changes In Accounts Receivables	(260)	(1,818)	465
Changes In Liabilities	114,456	110,396	(2,977)
Changes In Inventories	(52,861)	(97,750)	(99,527)
Changes In Other Operating Activities	(42,802)	(62,031)	(43,281)
Total Cash Flow From Operating Activities	**270,222**	**264,384**	**1,463**
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(19,016)	(12,365)	(11,444)
Investments	6,782	(9,565)	10,653
Other Cash flows from Investing Activities	(22,243)	(681)	(61,075)
Total Cash Flows From Investing Activities	**(34,477)**	**(22,611)**	**(61,866)**
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(1,250)	-	-
Sale Purchase of Stock	(540,534)	(154,070)	(582,303)
Net Borrowings	(1,851)	570,691	(93,085)
Other Cash Flows from Financing Activities	20,636	14,319	22,835
Total Cash Flows From Financing Activities	**(522,999)**	**430,940**	**(652,553)**
Effect Of Exchange Rate Changes	-	-	-
Change In Cash and Cash Equivalents	**(287,254)**	**672,713**	**(712,956)**

Exhibit F: Historic Fixed Rate Mortgage Rates