

NOBILITY HOMES INC
Form 10-Q
September 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934
For the quarterly period ended August 3, 2013
Commission File number 000-06506

NOBILITY HOMES, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-1166102
(I.R.S. Employer
Identification No.)

3741 S.W. 7th Street

Ocala, Florida
(Address of principal executive offices)

34474
(Zip Code)
(352) 732-5157

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Class	Shares Outstanding on
Common Stock	September 9, 2013 4,057,053

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NOBILITY HOMES, INC.

Consolidated Balance Sheets

	August 3, 2013 (Unaudited)	November 3, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,855,173	\$ 7,352,480
Short-term investments	462,073	320,946
Accounts and notes receivable	1,309,003	2,850,276
Mortgage notes receivable, current	3,841	3,483
Inventories	5,242,583	5,781,880
Pre-owned homes, current	2,037,428	2,503,164
Prepaid expenses and other current assets	788,612	480,055
Deferred income taxes	572,849	679,745
Total current assets	20,271,562	19,972,029
Property, plant and equipment, net	3,714,523	3,801,552
Pre-owned homes	4,869,813	4,430,833
Mortgage notes receivable, long term	184,461	186,516
Income tax receivable	248,164	248,164
Other investments	2,973,219	3,106,970
Deferred income taxes	1,344,151	1,237,255
Other assets	2,771,906	2,687,540
Total assets	\$ 36,377,799	\$ 35,670,859
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 251,877	\$ 404,546
Accrued compensation	112,540	112,372
Accrued expenses and other current liabilities	617,542	514,520
Customer deposits	876,505	350,677
Total current liabilities	1,858,464	1,382,115
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.10 par value, 500,000 shares authorized; none issued and outstanding		
Common stock, \$.10 par value, 10,000,000 shares authorized; 5,364,907 shares issued	536,491	536,491

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Additional paid in capital	10,628,681	10,618,542
Retained earnings	32,652,003	32,572,678
Accumulated other comprehensive income	247,217	106,090
Less treasury stock at cost, 1,307,854 shares in 2013 and 2012	(9,545,057)	(9,545,057)
Total stockholders' equity	34,519,335	34,288,744
Total liabilities and stockholders' equity	\$ 36,377,799	\$ 35,670,859

The accompanying notes are an integral part of these financial statements

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NOBILITY HOMES, INC.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 3, 2013	August 4, 2012	August 3, 2013	August 4, 2012
Net sales	\$ 4,758,456	\$ 3,828,400	\$ 11,973,742	\$ 11,446,802
Cost of goods sold	(3,854,816)	(3,314,488)	(9,946,333)	(9,553,196)
Gross profit	903,640	513,912	2,027,409	1,893,606
Selling, general and administrative expenses	(748,700)	(628,517)	(1,928,218)	(1,873,685)
Operating income (loss)	154,940	(114,605)	99,191	19,921
Other income (loss):				
Interest income	11,398	16,593	40,344	49,361
Undistributed earnings in joint venture - Majestic 21	29,180	20,796	89,380	63,346
Losses from investments in retirement community limited partnerships	(93,290)	(110,342)	(223,131)	(259,727)
Miscellaneous	19,273	30,521	73,541	68,223
Total other loss	(33,439)	(42,432)	(19,866)	(78,797)
Income (loss) before provision for income taxes	121,501	(157,037)	79,325	(58,876)
Income tax				
Net income (loss)	121,501	(157,037)	79,325	(58,876)
Other comprehensive income (loss)				
Unrealized investment gain (loss)	96,497	(4,821)	141,127	(896)
Comprehensive income (loss)	\$ 217,998	\$ (161,858)	\$ 220,452	\$ (59,772)
Weighted average number of shares outstanding:				
Basic	4,057,053	4,057,053	4,057,053	4,056,773
Diluted	4,057,053	4,057,053	4,057,053	4,056,733
Income (loss) per share:				
Basic	\$ 0.03	\$ (0.04)	\$ 0.02	\$ (0.01)

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Diluted	\$	0.03	\$	(0.04)	\$	0.02	\$	(0.01)
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The accompanying notes are an integral part of these financial statements

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NOBILITY HOMES, INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended	
	August 3, 2013	August 4, 2012
Cash flows from operating activities:		
Net income (loss)	\$ 79,325	\$ (58,876)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	90,058	100,663
Amortization of bond premium/discount		1,668
Undistributed earnings in joint venture - Majestic 21	(89,380)	(63,346)
Losses from investments in retirement community limited partnerships	223,131	259,727
Increase in cash surrender value of life insurance	(84,366)	(71,100)
Stock-based compensation	10,139	34,034
Decrease (increase) in:		
Accounts receivable - trade	1,541,273	(95,542)
Inventories	539,297	718,272
Pre-owned homes	26,756	1,477,081
Prepaid expenses and other assets	(308,557)	(216,378)
(Decrease) increase in:		
Accounts payable	(152,669)	(103,556)
Accrued compensation	168	(1,751)
Accrued expenses and other current liabilities	103,022	(398,287)
Customer deposits	525,828	43,125
Net cash provided by operating activities	2,504,025	1,625,734
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,029)	(57,872)
Decrease in mortgage notes receivable	1,697	564
Proceeds from maturity of long-term investment		505,000
Net cash provided by (used in) investing activities	(1,332)	447,692
Increase in cash and cash equivalents	2,502,693	2,073,426
Cash and cash equivalents at beginning of year	7,352,480	6,206,218
Cash and cash equivalents at end of quarter	\$ 9,855,173	\$ 8,279,644

The accompanying notes are an integral part of these financial statements

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Nobility Homes, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation and Accounting Policies

The accompanying unaudited consolidated financial statements for the three and nine months ended August 3, 2013 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The unaudited financial information included in this report includes all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods. The operations for the three and nine months ended August 3, 2013 are not necessarily indicative of the results of the full fiscal year.

The condensed consolidated financial statements included in this report should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended November 3, 2012.

Note 2 Inventories

New home inventory is carried at the lower of cost or market value. The cost of finished home inventories determined on the specific identification method is removed from inventories and recorded as a component of cost of sales at the time revenue is recognized. In addition, an allocation of depreciation and amortization is included in cost of goods sold. Under the specific identification method, if finished home inventory can be sold for a profit there is no basis to write down the inventory below the lower of cost or market value.

Pre-owned inventory is valued at the lower of the Company's cost to acquire the inventory plus refurbishment costs incurred to date to bring the inventory to a more saleable state, or market value.

Other inventory costs are determined on a first-in, first-out basis.

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Inventories were as follows:

	August 3, 2013	November 3, 2012
Raw materials	\$ 523,286	\$ 505,122
Work-in-process	99,589	90,444
Finished homes	4,594,507	5,140,200
Model home furniture and others	25,201	46,114
Inventories, net	\$ 5,242,583	\$ 5,781,880
Pre-owned homes	\$ 9,740,463	\$ 10,335,524
Inventory impairment reserve	(2,833,222)	(3,401,527)
	6,907,241	6,933,997
Less homes expected to sell in 12 months	(2,037,428)	(2,503,164)
Pre-owned homes, long-term	\$ 4,869,813	\$ 4,430,833

Finance Revenue Sharing Agreement During fiscal 2004, the Company entered into a finance revenue sharing agreement (FRSA) between 21st Mortgage Corporation (21 Mortgage), Prestige Home Centers, Inc., and Majestic Homes, Inc. without forming a separate entity. In connection with this FRSA, mortgage financing is provided on manufactured homes sold through the Company's retail centers to customers who qualify for such mortgage financing. Under the FRSA, prior to the execution of the Seventh Amendment as described below, the Company had agreed to repurchase any repossessed homes and related collateral from 21st Mortgage that was financed under the agreement. Prior to the Seventh Amendment, the FRSA contained certain provisions that would reimburse the Company for a portion of any repossessed homes and related collateral sold.

In October 2011, the Company entered into the Seventh Amendment to the FRSA. As a result, the Company's obligation to buyback contracts on repossessed homes ceased and any homes that had not yet been re-sold are to be liquidated by the Company and there will be no reimbursement from the FRSA escrow for any expenses or losses upon sale of the home.

The following table summarizes certain key statistics regarding repurchased homes and subsequent sale of those homes under the FRSA. These homes and land are reflected as pre-owned homes in the consolidated balance sheets.

	Three Months Ended		Nine Months Ended	
	August 3, 2013	August 4, 2012	August 3, 2013	August 4, 2012
Homes repurchased	0	0	0	3
Cost of repurchased homes	\$ 0	\$ 0	\$ 0	\$ 192,417
Number of repurchased homes sold	8	9	17	25

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Cost of repurchased homes sold	\$ 541,682	\$ 748,175	\$ 1,101,407	\$ 1,756,087
Liquidation costs of repurchased homes sold	\$ 263,558	\$ 116,965	\$ 424,972	\$ 196,330
Impact upon results of operations*	\$ 0	\$ 0	\$ 0	\$ 0

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The following is a summary of short-term investments (available for sale):

		August 3, 2013		
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair
		Gains	Losses	Value
Equity securities in a public company	\$ 167,930	\$ 294,143	\$	\$ 462,073

		November 3, 2012		
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Fair
		Gains	Losses	Value
Equity securities in a public company	\$ 167,930	\$ 153,016	\$	\$ 320,946

The fair values were estimated based on quoted market prices in active markets at each respective period end.

Note 4 Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments. Short-term investments (available for sale) are carried at fair value.

FASB ASC No. 820 Fair Value Measurements defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. ASC No. 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e. inputs) used in the valuation. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The ASC No. 820 fair value hierarchy is defined as follows:

Level 1 Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

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The following tables present the Company's assets and liabilities which are measured at fair value on a recurring basis at August 3, 2013 and November 3, 2012.

	August 3, 2013		
	Level 1	Level 2	Level 3
Short-term investments			
Equity securities in a public company	\$ 462,073	\$	\$

	November 3, 2012		
	Level 1	Level 2	Level 3
Short-term investments			
Equity securities in a public company	\$ 320,946	\$	\$

Note 5 Investments in Retirement Community Limited Partnerships

The Company's investment in retirement community limited partnerships include a 31.9% interest in Walden Woods South LLC ("South") and a 48.5% interest in CRF III, Ltd. ("Cypress Creek"). The fair value of the Cypress Creek investment was \$534,793 and \$757,924 at August 3, 2013 and November 3, 2012, respectively. The fair value of the South investment is zero at both August 3, 2013 and November 3, 2012.

The following is summarized financial information of South and Cypress Creek*:

	June 30, 2013	September 30, 2012
Total Assets	\$ 13,729,968	\$ 14,159,361
Total Liabilities	\$ 15,154,769	\$ 14,829,587
Total Equity	\$ (1,424,801)	\$ (670,226)

* Due to South and Cypress Creek having a calendar year-end, the summarized financial information provided is from their most recent quarter prior to the period covered by this report.

Note 6 Warranty Costs

The Company provides for a limited warranty as the manufactured homes are sold. Amounts related to these warranties are as follows:

Three Months Ended	Nine Months Ended
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	August 3, 2013	August 4, 2012	August 3, 2013	August 4, 2012
Beginning accrued warranty expense	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Less: reduction for payments	(43,202)	(39,283)	(127,384)	(128,730)
Plus: additions to accrual	43,202	39,283	127,384	128,730
Ending accrued warranty expense	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000

The Company's limited warranty covers substantial defects in material or workmanship in specified components of the home including structural elements, plumbing systems, electrical systems, and heating and cooling systems which are supplied by the Company that may occur under normal use and service during a period of twelve (12) months from the date of delivery to the original homeowner, and applies to the original homeowner or any subsequent homeowner to whom this product is transferred during the duration of this twelve (12) month period.

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The Company tracks the warranty claims per home. Based on the history of the warranty claims, the Company has determined that a majority of warranty claims usually occur within the first three months after the home is sold. The Company determines its warranty accrual using the last three months of home sales.

Note 7 Earnings (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding. Diluted net income (loss) per share is computed similarly to basic net income (loss) per share except that the denominator is increased to include the number of additional shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. For the three and nine months ended August 3, 2013 and August 4, 2012, options to purchase 54,150 and 78,900 shares, respectively, have been excluded from the computation of potentially dilutive securities as the effect on earnings (loss) per share is antidilutive.

Note 8 Revenues by Products and Service

Revenues by net sales from manufactured housing, insurance agent commissions and construction lending operations are as follows:

	Three Months Ended		Nine Months Ended	
	August 3, 2013	August 4, 2012	August 3, 2013	August 4, 2012
Manufactured housing	\$ 3,751,433	\$ 2,799,928	\$ 9,777,737	\$ 9,001,467
Pre-owned homes-FRSA	685,222	819,448	1,373,418	1,906,725
Trade in and other pre-owned homes	261,643	158,677	645,362	357,695
Insurance agent commissions	49,566	43,249	152,926	155,179
Construction lending operations	10,592	7,098	24,299	25,736
Total net sales	\$ 4,758,456	\$ 3,828,400	\$ 11,973,742	\$ 11,446,802

Majestic 21 The Company has a 50% interest in Majestic 21, a joint venture with an unrelated entity (21 Mortgage Corporation) (21 Mortgage). The Company is a 50% guarantor on a \$5 million note payable entered into by Majestic 21. This guarantee was a requirement of the bank that provided the \$5 million loan to Majestic 21. The \$5 million guarantee of Majestic 21's debt is for the life of the note which matures on the earlier of May 31, 2019 or when the principal balance is less than \$750,000. The amount of the guarantee declines with the amortization and repayment of the loan. As collateral for the loan, 21st Mortgage has granted the lender a security interest in a pool of loans encumbering homes sold by Prestige Homes Centers, Inc. If the pool of loans securing this note should decrease in value so that the notes outstanding principal balance is in excess of 80% of the principal balance of the pool of loans, then Majestic 21 would have to pay down the note's principal balance to an amount that is no more than 80% of the principal balance of the pool of loans. The Company and 21st Mortgage are obligated jointly to contribute the amount necessary to bring the loan balance back down to 80% of the collateral provided. We do not anticipate any required contributions as the pool of loans securing the note have historically been in excess of 100% of the collateral value. As of August 3, 2013, the outstanding principal balance of the note was \$2,138,500 and the amount of collateral was

\$2,827,525. Based upon management's analysis, the fair value of the guarantee is not material and as a result, no liability for the guarantee has been recorded in the accompanying balance sheets of the Company.

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The following table summarizes certain key sales statistics and percent of gross profit for the three and nine months ended August 3, 2013 and August 4, 2012.

	Three Months Ended		Nine Months Ended	
	August 3, 2013	August 4, 2012	August 3, 2013	August 4, 2012
Homes sold through Company owned sales centers	25	10	62	49
Pre-owned homes sold through Company owned sales centers	15	12	33	33
Homes sold to independent dealers	47	61	148	166
Total new factory built homes produced	72	66	204	201
Average new manufactured home price - retail	\$ 65,248	\$ 62,991	\$ 58,854	\$ 65,194
Average new manufactured home price - wholesale	\$ 31,767	\$ 26,556	\$ 29,497	\$ 27,532
As a percent of net sales:				
Gross profit from the Company owned retail sales centers	12%	10%	13%	13%
Gross profit from the manufacturing facilities - including intercompany sales	19%	14%	15%	16%

Total net sales in the third quarter of 2013 were \$4,758,456, up 24% compared to \$3,828,400 in the third quarter of 2012, which includes sales of pre-owned homes of \$946,865 and \$978,125, respectively. Total net sales for the first nine months of 2013 were \$11,973,742, up 5% compared to \$11,446,802 for the first nine months of 2012, which includes sales of pre-owned homes of \$2,018,780 and \$2,264,420, respectively. Sales to two publicly traded REITs (Real Estate Investment Trusts) and other companies which own multiple retirement communities in our market area accounted for approximately 28% and 33% of our sales for the nine months ended August 3, 2013 and August 4, 2012, respectively. Accounts receivable due from these customers were approximately \$990,073 at August 3, 2013.

According to the Florida Manufactured Housing Association, shipments in Florida for the period from November 2012 through May 2013 were up approximately 14% from the same period last year. Our sales and operations continue to be impacted by our country's economic conditions and those in the state of Florida. Although the immediate outlook for the manufactured housing industry in Florida and the nation is uncertain, the long-term demographic trends still favor future growth in the Florida market area we serve. Our 46 years of experience in the Florida market and consumers' increased need for more affordable housing should serve us well in the coming years. We remain convinced that our specific geographic market is one of the best long-term growth areas in the country. The country must experience a better economy with less uncertainty, improved sales in the existing home market, declining unemployment, increased consumer confidence and more retail financing for the sales of our affordable homes to improve significantly.

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We understand that during this very complex economic environment, maintaining our strong financial position is vital for future growth and success. Because of the recent historical poor business conditions in our market area and the lack of any clarity as to when today's economic challenges will improve measurably, we will continue to evaluate Prestige's retail model centers in Florida, along with all other expenses and react in a manner consistent with maintaining our strong financial position.

We have specialized for 46 years in the design and production of quality, affordable manufactured homes at our plant located in central Florida. With our multiple retail sales centers, a finance company joint venture, an insurance subsidiary, and investments in retirement manufactured home communities, we are the only vertically integrated manufactured home company headquartered in Florida.

Insurance agent commission revenues in the third quarter of 2013 were \$49,566 compared to \$43,249 in the third quarter of 2012. Total insurance agent commission revenues for the first nine months of 2013 were \$152,926 compared to \$155,179 for the first nine months of 2012. The decline in insurance agent commission's year to date in 2013 resulted from a decline in renewals. The Company establishes appropriate reserves for policy cancellations based on numerous factors, including past transaction history with customers, historical experience and other information, which is periodically evaluated and adjusted as deemed necessary. In the opinion of management, no reserve is deemed necessary for policy cancellations at August 3, 2013 and November 3, 2012.

The revenues from construction lending operations in third quarter of 2013 was \$10,592 compared to \$7,098 in the third quarter of 2012 and was \$24,299 for the first nine months of 2013 compared to \$25,736 for the first nine months of 2012. The decrease in revenues year to date in 2013 was due to fewer homes sales in fiscal year 2013 financed with a construction loan.

Gross profit as a percentage of net sales was 19% in third quarter of 2013 compared to 13% in third quarter of 2012 and was 17% for the first nine months of 2013 and 2012. The gross profit in third quarter of 2013 was \$903,640 compared to \$513,912 in the third quarter of 2012 and was \$2,027,409 for the first nine months of 2013 compared to \$1,893,606 for the first nine months of 2012. The increase in gross profit was primarily due to the increased sales volume and increases in the average wholesale new manufactured home selling price.

Selling, general and administrative expenses as a percent of net sales was 16% in third quarter of 2013 and 2012 and was 16% for the first nine months of 2013 and 2012. We continue our efforts to reduce our overhead costs, which included closing two retail sales centers in fiscal year 2012.

Our earnings from Majestic 21 in the third quarter of 2013 were \$29,180, compared to \$20,796 for the third quarter of 2012. Our earnings from Majestic 21 for the first nine months of 2013 were \$89,380, compared to \$63,346 for the first nine months of 2012. The earnings from Majestic 21 represent the allocation of profit and losses which are owned 50% by 21st Mortgage and 50% by the Company. The increase in earnings in fiscal year 2013 is due to the lower cost of funds on the portfolio.

We earned interest on cash, cash equivalents and short-term investments in the amount of \$11,398 for the third quarter of 2013 compared to \$16,593 for the third quarter of 2012. For the first nine months of 2013 interest earned on cash, cash equivalents and short-term investments were \$40,344 compared to \$49,361 in the first nine months of 2012. Interest income is dependent on our cash balance and available rates of return.

We reported non-cash losses from our investment in retirement community limited partnerships of \$93,290 for the third quarter of 2013 compared to \$110,342 for the third quarter of 2012. For the first nine months of 2013, losses were \$223,131 compared to \$259,727 in the first nine months of 2012. We expect similar losses for the remainder of

2013 as the community continues to see slow growth in new home sales.

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We reported net income of \$121,501 for the third quarter of 2013, or \$0.03 per share, compared to a net loss of \$157,037, or \$0.04 per share, for the third quarter of 2012. For the first nine months of 2013 net income was \$79,325, or \$0.02 per share, compared to a net loss of \$58,876, or \$0.01 per share, in the first nine months of 2012.

Liquidity and Capital Resources

Cash and cash equivalents were \$9,855,173 at August 3, 2013 compared to \$7,352,480 at November 3, 2012. Short-term investments were \$462,073 at August 3, 2013 compared to \$320,946 at November 3, 2012. Working capital was \$18,413,098 at August 3, 2013 as compared to \$18,589,914 at November 3, 2012. We own the entire inventory for our Prestige retail sales centers which includes new, pre-owned and repossessed or foreclosed homes and do not incur any third party floor plan financing expenses.

We view our liquidity as our total cash and short term investments. We currently have no line of credit facility and we do not believe that such a facility is currently necessary for our operations. We have no debt. We also have approximately \$2.5 million of cash surrender value of life insurance which we could access as an additional source of liquidity though we have not currently viewed this to be necessary.

Critical Accounting Policies and Estimates

In Item 7 of our Form 10-K, under the heading Critical Accounting Policies and Estimates, we have provided a discussion of the critical accounting policies and estimates that management believes affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements. No significant changes have occurred since that time.

Forward-Looking Statements

Certain statements in this report are forward-looking statements within the meaning of the federal securities laws, including our statement that working capital requirements will be met with internal sources. Although Nobility believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, there are risks and uncertainties that may cause actual results to differ materially from expectations. These risks and uncertainties include, but are not limited to, competitive pricing pressures at both the wholesale and retail levels, increasing material costs, continued excess retail inventory, increase in repossessions, changes in market demand, changes in interest rates, availability of financing for retail and wholesale purchasers, consumer confidence, adverse weather conditions that reduce sales at retail centers, the risk of manufacturing plant shutdowns due to storms or other factors, the impact of marketing and cost-management programs, reliance on the Florida economy, impact of labor shortage, impact of materials shortage, increasing labor cost, cyclical nature of the manufactured housing industry, impact of rising fuel costs, catastrophic events impacting insurance costs, availability of insurance coverage for various risks to Nobility, market demographics, management's ability to attract and retain executive officers and key personnel, increased global tensions, market disruptions resulting from terrorist or other attack and any armed conflict involving the United States and the impact of inflation.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15e and 15d-15e under the Securities Exchange Act of 1934, as amended) (the Exchange Act) as of the end of the period covered by this report (the Evaluation Date). Based on their evaluation as of the Evaluation Date, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective for the period ended August 3, 2013.

Changes in Internal Control over Financial Reporting. We made no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal controls that occurred during our last fiscal quarter that has materially affected, or which is reasonably likely to materially affect our internal controls over financial reporting.

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Part II. OTHER INFORMATION AND SIGNATURES

There were no reportable events for Item 1 through Item 5.

Item 6. Exhibits

- 31. (a) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
- (b) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
- 32. (a) Written Statement of Chief Executive Officer Pursuant to 18 U.S.C. §1350
- (b) Written Statement of Chief Financial Officer Pursuant to 18 U.S.C. §1350
- 101. Interactive data filing formatted in XBRL

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Signatures

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

NOBILITY HOMES, INC.

DATE: September 10, 2013

By: /s/ Terry E. Trexler
Terry E. Trexler, Chairman, President and Chief
Executive Officer

DATE: September 10, 2013

By: /s/ Thomas W. Trexler
Thomas W. Trexler, Executive Vice President, and Chief
Financial Officer

DATE: September 10, 2013

By: /s/ Lynn J. Cramer, Jr.
Lynn J. Cramer, Jr., Treasurer and Principal Accounting
Officer