

NOBILITY HOMES INC  
Form 10-K  
January 26, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**  
**For the fiscal year ended November 4, 2017**  
**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)

(352) 732-5157

34474  
(Zip Code)

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.10 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the common stock held by non-affiliates of the registrant (881,045 shares), based on the closing price on the over-the-counter market on May 5, 2017 (the last business day of the second quarter of fiscal 2017), was approximately \$13,744,302.

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

<b>Title of Class</b>	<b>Shares Outstanding on January 26, 2018</b>
<b>Common Stock</b>	<b>3,997,569</b>

**DOCUMENTS INCORPORATED BY REFERENCE**

<b>Title</b>	<b>Form 10-K</b>
<b>Definitive proxy statement for Annual Meeting of Shareholders to be held March 2, 2018</b>	<b>Part III, Items 10-14</b>

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**PART I**

**Item 1. Business**

Nobility Homes, Inc., a Florida corporation incorporated in 1967, designs, manufactures and sells a broad line of manufactured and modular homes through its own retail sales centers throughout Florida. Nobility also sells its manufactured homes on a wholesale basis to independent manufactured home retail dealers and manufactured home communities. All references in this annual report on Form 10-K to Nobility, Company, we, us, or our refer to Nobility Homes, Inc. and its consolidated subsidiaries unless the context otherwise suggests.

**Manufactured Homes**

Nobility's homes are available in approximately 100 active models sold under the trade names Kingswood, Richwood, Tropic Isle, Regency Manor, and Special Edition. The homes, ranging in size from 431 to 2,650 square feet and containing from one to five bedrooms, are available in:

Single-wide widths of 12, 14 and 16 feet ranging from 35 to 72 feet in length;

Double-wide widths of 20, 24, 26, 28 and 32 feet ranging from 32 to 72 feet in length;

Triple-wide widths of 42 feet ranging from 60 to 72 feet in length; and

Quad-unit with 2 sections 28 feet wide by 48 feet long and 2 sections 28 feet wide by 52 feet long. Our floor plans can be built as an on-frame modular home. We have been approved to build A.N.S.I. (American National Standards Institute) Park models less than 400 square feet and exposure D homes.

Nobility's homes are sold primarily as unfurnished dwellings ready for permanent occupancy. Interiors are designed and color coordinated in a range of decors. Depending on the size of the unit and quality of appliances and other appointments, retail prices for Nobility's homes typically range from approximately \$30,000 to \$130,000. Most of the prices of Nobility's homes are considered by it to be within the low to medium price range of the industry.

Nobility's manufacturing plant utilizes assembly line techniques in manufactured home production. The plant manufactures and assembles the floors, sidewalls, end walls, roofs and interior cabinets for their homes. Nobility purchases, from outside suppliers, various other components that are built into its homes including the axles, frames, tires, doors, windows, pre-finished sidings, plywood, ceiling panels, lumber, rafters, insulation, gypsum board, appliances, lighting and plumbing fixtures, carpeting and draperies. Nobility is not dependent upon any one particular supplier for its raw materials or component parts, and is not required to carry significant amounts of inventory to assure itself of a continuous allotment of goods from suppliers.

Nobility generally does not manufacture its homes to be held by it as inventory (except for model home inventory of its wholly-owned retail network subsidiary, Prestige Home Centers, Inc.), but, rather, manufactures its homes after receipt of orders. Although Nobility attempts to maintain a consistent level of production of homes throughout the

fiscal year, seasonal fluctuations do occur, with sales of homes generally lower during the first fiscal quarter due to the holiday season.

The sales area for a manufactured home manufacturer is limited by substantial delivery costs of the finished product. Nobility's homes are delivered by outside trucking companies. Nobility estimates that it can compete effectively within a range of approximately 350 miles from its manufacturing plant in Ocala, Florida. Substantially all of Nobility's sales are made in Florida.

### **Retail Sales**

Prestige Home Centers, Inc., our wholly-owned subsidiary, operates ten retail sales centers in north and central Florida. Its principal executive offices are located at Nobility's headquarters in Ocala, Florida. Sales by Prestige accounted for 72% and 64% of Nobility's sales during fiscal years 2017 and 2016, respectively.

Each of Prestige's retail sales centers are located within 350 miles of Nobility's Ocala manufacturing facility. Prestige owns the land at six of its retail sales centers and leases the remaining four retail sales centers from unaffiliated parties under leases with terms between one and three years with renewal options.

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The primary customers of Prestige are homebuyers who generally purchase manufactured homes to place on their own home sites. Prestige operates its retail sales centers with a model home concept. Each of the homes displayed at its retail sales centers is furnished and decorated as a model home. Although the model homes may be purchased from Prestige's model home inventory, generally, customers order homes which are shipped directly from the factory to their home site. Prestige sales generally are to purchasers living within a radius of approximately 100 miles from the selling retail lot. The Company's internet-based marketing program generates numerous leads which are directed to the Prestige retail sales centers to assist a potential buyer in purchasing a home.

The retail sale of manufactured homes is a highly competitive business. Because of the number of retail sales centers located throughout Nobility's market area, potential customers typically can find several sales centers within a 100 mile radius of their present home. Prestige competes with over 100 other retailers in its primary market area, some of which may have greater financial resources than Prestige. In addition, manufactured homes offered by Prestige compete with site-built housing.

Prestige does not itself finance customers' new home purchases. Financing for home purchases has historically been available from other independent sources that specialize in manufactured housing lending and banks that finance manufactured home purchases. Prestige and Nobility are not required to sign any recourse agreements with any of these retail financing sources.

## **Investments in Limited Partnerships**

The Company has a 31.3% investment interest in Walden Woods South LLC (Walden Woods South), which owns and operates a 236 residential lot manufactured home community named Walden Woods South located in Homosassa, Florida. The majority owner of Walden Woods South is the Company's President (see note 4).

On March 31, 2016, the Company sold its 48.5% limited partnership interest in CRF III, Ltd. (Cypress Creek) for \$3,990,000. Cypress Creek is a retirement manufactured home community located in Winter Haven, Florida. The Company received \$960,000 cash, net of \$40,000 cost paid and a note receivable for \$3,030,000, that accrues interest at 3.0%, which is payable to the Company in \$500,000 installments each July 1<sup>st</sup> and January 1<sup>st</sup>, commencing January 1, 2017 through July 1, 2019. The Company received a \$500,000 payment in June 2016 and a \$1,000,000 payment in January 2017. Payments are applied first to any outstanding principal and then to accrued interest at the end of the term. The Company recognized a gain of \$3,990,000 in fiscal year 2016.

## **Insurance and Financial Services**

Mountain Financial, Inc., a wholly-owned subsidiary of Prestige Home Centers, Inc., is an independent insurance agent and licensed mortgage loan originator. Its principal activity is providing retail insurance services, which involves placing various types of insurance, including property and casualty, automobile and extended home warranty coverage, with insurance underwriters on behalf of its Prestige customers in connection with their purchase and financing of manufactured homes. As agent, we solely assist our customers in obtaining various types of insurance and extended warranty coverage with insurance underwriters. As such, we have no agreements with homeowners and/or third party insurance companies other than agency agreements with various insurance carriers. The Company provides 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 was deemed necessary for policy cancellations for fiscal years 2017 and 2016.

## **Wholesale Sales to Manufactured Home Communities**

Nobility sells its homes on a wholesale basis exclusively through two full-time salespersons to approximately 30 manufactured home communities. Nobility continues to seek new opportunities in the areas in which it operates, as there is ongoing turnover in the manufactured home communities as they achieve full occupancy levels. As is common in the industry, most of Nobility's independent dealers sell homes produced by several manufacturers. Sales to one publicly traded REIT (Real Estate Investment Trust) which owns multiple retirement communities in our market area accounted for \$1,602,185 or 4% of our total sales in fiscal year 2017 and sales to two publicly traded REITs owning multiple retirement communities accounted for \$3,581,320 or 11% and \$629,345 or 2% respectively, of our total sales in fiscal year 2016. Other companies which own multiple retirement communities in our market area accounted for \$2,155,575 or 6% of our total sales in fiscal year 2017 and \$1,416,180 or 4% of our total sales in fiscal year 2016.

Nobility does not generally offer consigned inventory programs or other credit terms to its dealers and ordinarily receives payment for its homes within 15 to 30 days of delivery. However, Nobility may offer extended terms to park dealers who do a high volume of business with Nobility. In order to stimulate sales, Nobility sells homes for display to related manufactured home communities on extended terms and recognizes revenue when the homes are sold to the end users. The high visibility of Nobility's homes in such communities generates additional sales of its homes through such dealers.

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### **Regulation**

The manufacture, distribution and sale of homes are subject to governmental regulation at the federal, state and local levels. The Department of Housing and Urban Development (HUD) has adopted national construction and safety standards that preempt state standards. In addition, HUD regulations require that manufactured homes be constructed to more stringent wind load and thermal standards. Compliance with these standards involves approval by a HUD approved engineering firm of engineering plans and specifications on all models. HUD has also promulgated rules requiring producers of manufactured homes to utilize wood products certified by their suppliers to meet HUD's established limits on formaldehyde emissions and to place in each home written notice to prospective purchasers of possible adverse reaction from airborne formaldehyde in homes. HUD's standards also require periodic inspection by state or other third party inspectors of plant facilities and construction procedures, as well as inspection of manufactured home units during construction. In addition, some components of manufactured homes may also be subject to Consumer Product Safety Commission standards and recall requirements. Modular homes manufactured by Nobility are required to comply with the Florida Building Code established by the Florida Department of Business and Professional Regulations.

Nobility estimates that compliance with federal, state and local environmental protection laws will have no material effect upon capital expenditures for plant or equipment modifications or earnings for the next fiscal year.

The transportation of manufactured homes is subject to state regulation. Generally, special permits must be obtained to transport the home over public highways and restrictions are imposed to promote travel safety including restrictions relating to routes, travel periods, speed limits, safety equipment and size.

Nobility's homes are subject to the requirements of the Magnuson-Moss Warranty Act and Federal Trade Commission rulings which regulate warranties on consumer products. Nobility provides a limited warranty of one year on the structural components of its homes.

### **Competition**

The manufactured home industry is highly competitive. The initial investment required for entry into the business of manufacturing homes is not unduly large. State bonding requirements for entry in the business vary from state to state. The bond requirement for Florida is \$50,000. Nobility competes directly with other manufacturers, some of whom are both considerably larger and possess greater financial resources than Nobility. Nobility estimates that of the 18 manufacturers selling in the state, approximately 10 manufacture homes of the same type as Nobility and compete in the same market area. Nobility believes that it is generally competitive with most of those manufacturers in terms of price, service, warranties and product performance.

### **Employees**

As of January 5, 2018, the Company had 147 full-time employees, including 36 employed by Prestige. Approximately 85 employees are factory personnel compared to approximately 80 in such positions a year ago and 62 are in management, administrative, supervisory, sales and clerical positions (including 33 management and sales personnel employed by Prestige) compared to approximately 60 a year ago. In addition, Nobility employs part-time employees when necessary.

Nobility makes contributions toward employees' group health and life insurance. Nobility, which is not subject to any collective bargaining agreements, has not experienced any work stoppage or labor disputes and considers its relationship with employees to be generally satisfactory.

**Item 1A. Risk Factors**

As a smaller reporting company, we are not required to provide the information required by this item.

**Item 1B. Unresolved Staff Comments**

None.

**Table of Contents****Item 2. Properties**

As of January 26, 2018, Nobility owned two manufacturing plants:

Location	Approximate Size
3741 SW 7 <sup>th</sup> Street	72,000 sq. ft.
Ocala, Florida	
6432 SE 115 <sup>th</sup> Lane	33,500 sq. ft.
Belleview, Florida	

Nobility's Ocala facility is located on approximately 35.5 acres of land on which an additional two-story structure adjoining the plant serves as Nobility's corporate offices. The plant, which is of metal construction, is in good condition and requires little maintenance.

Nobility's Belleview facility has been vacant since June 2015 and is listed for sale with an independent real estate agent. This facility is included on the balance sheet in property held for sale (non-current asset) for \$386,018. This facility is constructed of metal and concrete construction. The property is in good condition and requires little maintenance. The Belleview manufacturing plant was closed and its operations were consolidated into the Ocala manufacturing plant in the second quarter of 2009 due to the reduction in our manufacturing operations.

Prestige owns the properties on which its Ocala North, Auburndale, Inverness, Panama City, Yulee and Punta Gorda, Florida retail sales centers are located. The Company purchased the land for the Inverness retail sales center for \$330,000 in November 2017, after fiscal year-end, and the land for the Auburndale retail sales center for \$750,000 in January 2016. Prestige leases the property for its other 4 retail sales centers. Our Pace property (closed) is no longer under contract with a buyer and is included on the balance sheet in property held for sale (non-current asset) for \$213,437.

**Item 3. Legal Proceedings**

We are a party to various legal proceedings that arise in the ordinary course of our business. We are not currently involved in any litigation nor to our knowledge, is any litigation threatened against us, the outcome of which would, in our judgment based on information currently available to us, have a material adverse effect on our financial position or results of operations.

The Company does not maintain casualty insurance on some of its property, including the inventory at its retail centers, its plant machinery and plant equipment and is at risk for those types of losses.

**Item 4. Mine Safety Disclosures**

None.



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The Company's common stock currently trades under the symbol NOBH on the OTCQX market. The following table shows the range of high and low sales prices and/or high and low bid quotations (as applicable) for the common stock for each fiscal quarter of 2017 and 2016 on the OTCQX market. Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Quarter	Fiscal Year End			
	November 4, 2017		November 5, 2016	
	High	Low	High	Low
1 <sup>st</sup>	\$ 18.00	\$ 15.00	\$ 14.00	\$ 11.50
2 <sup>nd</sup>	17.00	14.25	15.00	12.15
3 <sup>rd</sup>	18.06	15.02	15.99	13.00
4 <sup>th</sup>	18.50	16.05	16.35	14.06

**Holdings**

At January 26, 2018, the approximate number of holders of record of common stock was 113 (not including individual participants in security position listings).

**Dividends**

On April 17, 2017, the Board of Directors declared a one-time cash dividend of \$0.15 per common share in fiscal 2017 payable to stockholders of record as of March 27, 2017. Any future determination to pay dividends will be at the discretion of our Board of Directors.

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

The following table displays equity compensation plan information as of the end of the fiscal year ended November 4, 2017. For further information, see Note 13 of Notes to Consolidated Financial Statements.

Equity Compensation Plan Information		
Number of securities of outstanding	Weighted-average price of outstanding options,	Number of securities remaining exercise available for issuance under equity compensation plans (excluding

	options, warrants and rights (a)	warrants and rights (b)	securities reflected in column (a) (c)
Equity compensation plans approved by security holders	5,000	\$ 12.10	295,000
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>5,000</b>	<b>\$ 12.10</b>	<b>295,000</b>

### Recent Sales of Unregistered Securities

During fiscal 2017 and 2016, the Company sold 1,000 and 4,000 shares respectively, of common stock upon the exercise of outstanding stock options to certain of its employees. The stock options were exercised at a weighted average exercise price of \$8.49 in 2017 and \$9.72 in 2016. The shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933 in reliance upon Rule 701 of the Securities Act of 1933.

**Table of Contents****Issuer Repurchases of Equity Securities**

The following table represents information with respect to purchases by the Company of its common stock during the months presented:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number or approximate dollar value of shares that may yet be purchased under the plans or programs
Dec 1 - Dec 31, 2016	70	\$ 17.00	N/A	N/A
Jul 1 - Jul 31, 2017	7,271	\$ 16.79	N/A	N/A

The Company's Board of Directors has authorized management to repurchase shares of the Company's common stock in transactions up to 200,000 shares or less in the open market.

**Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide the information required by this item.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**General**

Nobility focuses on home buyers who generally purchase their manufactured homes from retail sales centers to locate on property they own. Nobility has aggressively pursued this market through its Prestige retail sales centers. While Nobility actively seeks to make wholesale sales to independent retail dealers, its presence as a competitor limits potential sales to dealers located in the same geographic areas serviced by its Prestige retail sales centers.

Nobility has aggressively targeted the retirement community market, which is made up of retirees moving to Florida and typically purchasing or renting homes to be located on sites leased from park communities offering a variety of amenities. Sales are not limited by the presence of the Company's Prestige retail sales centers in this type of arrangement, as the retirement community sells homes only within their community.

Nobility has a product line of approximately 100 active models. Although market demand can fluctuate on a fairly short-term basis, the manufacturing process is such that Nobility can alter its product mix relatively quickly in response to changes in the market. During fiscal years 2017 and 2016, Nobility continued to experience consumer demand for smaller, less expensive homes. Our three, four and five bedroom manufactured homes are favored by families, compared with the one, two and three-bedroom homes that typically appeal to the retirement buyers who reside in the manufactured housing communities.

In an effort to make manufactured homes more competitive with site-built housing, financing packages are available to provide (1) 30-year financing, (2) an interest rate reduction program, (3) combination land/manufactured home

loans, and (4) a 5% down payment program for qualified buyers.

In the third quarter of fiscal year 2009, Majestic 21, a joint venture that the Company owns 50% of, secured \$5,000,000 in financing from a commercial bank to support loan originations. The Company guarantees 50% of this financing. As of November 4, 2017, the outstanding principal balance of the note was \$536,598 and the amount of collateral held by our joint venture partner for the Majestic 21 note payable was \$1,501,617.

Prestige maintains several other outside financing sources that provide financing to retail homebuyers for its manufactured homes. The Company continually tries to develop relationships with new lenders, since established lenders will occasionally leave manufactured home lending.

Prestige's wholly-owned subsidiary, Mountain Financial, Inc., is an independent insurance agent and licensed loan originator. Mountain Financial provides automobile insurance, extended warranty coverage and property and casualty insurance to Prestige customers in connection with their purchase and financing of manufactured homes.

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The Company's fiscal year ends on the first Saturday on or after October 31. The year ended November 4, 2017 (fiscal year 2017) consisted of a fifty-two week period and the year ended November 5, 2016 (fiscal year 2016) consisted of a fifty-three week period.

**Results of Operations**

Total net sales in fiscal year 2017 were \$37,543,071 compared to \$34,053,290 in fiscal year 2016. The Company reported net income of \$3,309,983 in fiscal year 2017, compared to a net income of \$5,965,194 during fiscal year 2016. The change in net income from fiscal 2016 to 2017 is largely attributable to a one-time gain of \$3,990,000 in fiscal 2016 related to the sale of the Company's interest in Cypress Creek, as discussed below.

The following table summarizes certain key sales statistics and percent of gross profit as of and for fiscal years ended November 4, 2017 and November 5, 2016.

	2017	2016
New homes sold through Company owned sales centers	327	273
Pre-owned homes sold through Company owned sales centers:		
Buy Back	12	18
Repossessions	11	3
Trade-Ins	4	8
Homes sold to independent dealers	249	255
Total new factory built homes produced	600	584
Average new manufactured home price retail	\$ 74,384	\$ 70,296
Average new manufactured home price wholesale	\$ 38,208	\$ 37,638
As a percent of net sales:		
Gross profit from the Company owned retail sales centers	17%	17%
Gross profit from the manufacturing facilities including intercompany sales	16%	18%

Sales to one publicly traded REIT (Real Estate Investment Trust) which owns multiple retirement communities in our market area accounted for \$1,602,185 or 4% of our total sales in fiscal year 2017 and sales to two publicly traded REITs owning multiple retirement communities accounted for \$3,581,320 or 11% and \$629,345 or 2%, respectively, of our total sales in fiscal year 2016. Other companies which own multiple retirement communities in our market area accounted for \$2,155,575 or 6% of our total sales in fiscal year 2017 and \$1,416,180 or 4% of our total sales in fiscal year 2016. Accounts receivable due from these customers were \$1,533,014 at November 4, 2017.

The demand for affordable manufactured housing in Florida and the U.S. continues to improve. According to the Florida Manufactured Housing Association, shipments in Florida for the period from November 2016 through October 2017 were up approximately 6% from the same period last year. Our sales for fiscal 2018 continue to look positive. Shipment of homes in our market area should improve and, if we can adequately control the material and labor costs increases that the Company is experiencing because of the improvements in the total housing picture, then earnings should also improve. Constrained consumer credit and the lack of lenders in our industry, partly as a result of an increase in government regulations, still affects our results by limiting many affordable manufactured housing buyers from purchasing homes.

We understand that maintaining our strong financial position is vital for future growth and success. Because of the recent years of very challenging business conditions in our market area, management will continue to evaluate all expenses and react in a manner consistent with maintaining our strong financial position, while exploring opportunities to expand our distribution and manufacturing operations.

Our many years of experience in the Florida market, combined with home buyers' increased need for more affordable housing, should serve the Company well in the coming years. Management remains convinced that our specific geographic market is one of the best long-term growth areas in the country.

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On June 5, 2017 the Company celebrated its 50th anniversary in business specializing in the design and production of quality, affordable manufactured homes. With multiple retail sales centers, an insurance agency subsidiary, and an investment in a retirement manufactured home community, we are the only vertically integrated manufactured home company headquartered in Florida.

Insurance agent commissions in fiscal year 2017 were \$267,933 compared to \$235,259 in fiscal year 2016. We have established 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 was deemed necessary for policy cancellations at November 4, 2017 and November 5, 2016.

Cost of goods sold at our manufacturing facilities include: materials, direct and indirect labor and manufacturing expenses (which consists of factory occupancy, salary and salary related, delivery costs, manufactured home service costs and other manufacturing expenses). Cost of goods sold at our retail sales centers include: appliances, air conditioners, electrical and plumbing hook-ups, furniture, insurance, impact and permit fees, land and home fees, manufactured home, service warranty, setup contractor, interior drywall finish, setup display, skirting, steps, well, septic tank and other expenses.

Gross profit as a percentage of net sales was 23% in both fiscal year 2017 and 2016. Our gross profit of \$8,661,079 for 2017 increased 9% compared to \$7,936,135 for 2016. The increase in gross profit percentage is primarily due to the increase in the average retail and wholesale selling price on each home sold.

Selling, general and administrative expenses at our manufacturing facility include salaries, professional services, advertising and promotions, corporate expense, employee benefits, office equipment and supplies and utilities. Selling, general and administrative expenses at our retail sales center include: advertising, retail sales centers expenses, salary and salary related, professional fees, corporate expense, employee benefit, office equipment and supplies, utilities and travel. Selling, general and administrative expenses at the insurance company include: advertising, professional fees and office supplies.

Selling, general and administrative expenses increased \$522,869 from fiscal year 2016 to 2017. As a percent of net sales, selling, general and administrative expenses were 11% in both fiscal year 2017 and 2016. The increase in selling, general and administrative expenses in 2017 resulted from the increase in compensation expenses directly related to our increased sales.

The Company earned interest on cash, cash equivalents, short-term investments, and notes receivable in the amount of \$149,613 in fiscal year 2017 compared to \$112,802 in fiscal year 2016. Interest income is dependent on our cash balance and available rates of return. The increase is primarily due to the increase in accrued interest from the note receivable acquired in the sale of the investment in the Cypress Creek retirement manufactured home community.

The Company earned \$103,533 from its joint venture, Majestic 21, in fiscal year 2017 compared to \$123,772 in fiscal year 2016. The earnings from Majestic 21 represent the allocation of profit and losses which are owned 50% by 21st Mortgage Corporation and 50% by the Company.

We received \$504,548 in fiscal year 2017 and \$788,566 in fiscal year 2016 under an escrow arrangement related to a Finance Revenue Sharing Agreement between 21<sup>st</sup> Mortgage Corporation and the Company. The distributions from the escrow account, related to certain loans financed by 21<sup>st</sup> Mortgage Corporation, are recorded in income by the Company as received, which has been the Company's past practice.

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On March 31, 2016, the Company sold its 48.5% limited partnership interest in Cypress Creek for \$3,990,000. Cypress Creek is a retirement manufactured home community. The Company had previously written this investment down to \$0, resulting in a gain of \$3,990,000 during fiscal 2016.

The Company realized pre-tax income of \$5,168,250 in fiscal year 2017 compared to a pre-tax income of \$9,184,236 in fiscal year 2016.

The Company recorded an income tax expense of approximately \$1,858,000 in fiscal year 2017 compared to \$3,219,000 in fiscal year 2016.

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Net income in fiscal year 2017 was \$3,309,983 or \$0.83 per basic and diluted share and net income in fiscal year 2016 was \$5,965,194 or \$1.48 per basic and diluted share.

## **Liquidity and Capital Resources**

Cash and cash equivalents were \$27,910,504 at November 4, 2017 compared to \$24,562,638 at November 5, 2016. Short-term investments were \$627,087 at November 4, 2017 compared to \$481,025 at November 5, 2016. The increase in cash was due primarily to our net income. Working capital was \$36,403,372 at November 4, 2017 as compared to \$32,761,352 at November 5, 2016. The Company purchased the land for the Inverness retail sales center in November 2017 for \$330,000, after fiscal year-end, and the Auburndale retail sales center for \$750,000 in January 2016. In April 2017, we paid an aggregate of \$600,726 as dividends. Nobility owns the entire inventory for its Prestige retail sales centers which includes new, pre-owned and repossessed or foreclosed homes and does not incur any third party floor plan financing expenses. The Company has no material commitments for capital expenditures.

The Company currently has no line of credit facility and does not believe that such a facility is currently necessary to its operations. The Company has no debt. The Company also has approximately \$3.3 million of cash surrender value of life insurance which it may be able to access as an additional source of liquidity though the Company has not currently viewed this to be necessary. As of November 4, 2017, the Company continued to report a strong balance sheet which included total assets of approximately \$54 million which was funded primarily by stockholders' equity of approximately \$47 million.

Looking ahead, the Company's strong balance sheet and significant cash reserves accumulated in profitable years has allowed the Company to remain sufficiently liquid so as to allow continuation of operations and should enable the Company to take advantage of market opportunities when presented by an expected improvement in the overall and the industry specific economy in fiscal 2018 and beyond. Management believes it has sufficient levels of liquidity as of the date of the filing of this Form 10-K to allow the Company to operate into the foreseeable future.

## **Critical Accounting Policies and Estimates**

The Company applies judgment and estimates, which may have a material effect in the eventual outcome of assets, liabilities, revenues and expenses, accounts receivable, inventory and goodwill. The following explains the basis and the procedure where judgment and estimates are applied.

### ***Revenue Recognition***

The Company recognizes revenue from its retail sales of new manufactured homes upon the occurrence of the following:

Its receipt of a down payment,

Construction of the home is complete,

Home has been delivered and set up at the retail home buyer's site and title has been transferred to the retail home buyer,

Remaining funds have been released by the finance company (financed sales transaction), remaining funds have been committed by the finance company by an agreement with respect to financing obtained by the customer, usually in the form of a written approval for permanent home financing received from a lending institution, (financed construction sales transaction) or cash has been received from the home buyer (cash sales transaction), and

Completion of any other significant obligations.

The Company recognizes revenue from the sale of the repurchased homes upon transfer of title to the new purchaser.

The Company recognizes revenue from its independent dealers upon receiving wholesale floor plan financing or establishing retail credit approval for terms, shipping of the home and transferring title and risk of loss to the independent dealer. For wholesale shipments to independent dealers, the Company has no obligation to setup the home or to complete any other significant obligations.

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The Company recognizes revenue from its wholly-owned subsidiary, Mountain Financial, Inc., as follows: commission income (and fees in lieu of commissions) is recorded as of the effective date of insurance coverage or the billing date, whichever is later. Commissions on premiums billed and collected directly by insurance companies are recorded as revenue when received which, in many cases, is the Company's first notification of amounts earned due to the lack of policy and renewal information. Contingent commissions are recorded as revenue when received. Contingent commissions are commissions paid by insurance underwriters and are based on the estimated profit and/or overall volume of business placed with the underwriter. The data necessary for the calculation of contingent commissions cannot be reasonably obtained prior to the receipt of the commission which, in many cases, is the Company's first notification of amounts earned. The Company provides 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 was deemed necessary for policy cancellations at November 4, 2017 or November 5, 2016.

***Inventory Impairment Reserve***

The Company has raw materials, work-in-process, finished home and pre-owned home inventory. The Company continually reviews its inventory to determine if there is a decline in the fair value below the cost basis. Historically, the Company has only recorded valuation allowances for its pre-owned home inventory. The Company acquires pre-owned homes from 21<sup>st</sup> Mortgage Corporation, trade-ins on new home sales, and other sources. Management primarily uses current sales values of new and pre-owned homes to determine market value. When the cost of a housing unit exceeds market value, a valuation reserve is recorded and the loss is recorded in the accompanying consolidated statements of comprehensive income.

***Investments in Retirement Communities***

The Company has a 31.3% investment interest in Walden Woods South LLC (Walden Woods South), which owns and operates a 236 residential lot manufactured home community named Walden Woods South located in Homosassa, Florida. The majority owner of Walden Woods South is the Company's President (see note 4). The investment in Walden Woods South is accounted for under the equity method of accounting and all allocations of profit and loss are on pro-rata basis. Since the Company's maximum exposure is limited to its investment in Walden Woods South, management has concluded that the Company would not absorb a majority of Walden Woods South's expected losses nor receive a majority of Walden Woods South's expected residual returns; therefore, the Company is not required to consolidate Walden Woods South with the accounts of Nobility Homes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 810, Consolidations (ASC 810).

On March 31, 2016, the Company sold its 48.5% limited partnership interest in CRF III, Ltd. (Cypress Creek) for \$3,990,000. Cypress Creek is a retirement manufactured home community located in Winter Haven, Florida. The Company received \$960,000 cash, net of \$40,000 cost paid and a note receivable for \$3,030,000, plus interest at 3.0%, which is payable to the Company in \$500,000 installments each July 1<sup>st</sup> and January 1<sup>st</sup>, commencing January 1, 2017 through July 1, 2019. The Company received a \$500,000 payment in June 2016 and a \$1,000,000 payment in January 2017. Payments are applied first to any outstanding principal and then to accrued interest at the end of the term. The Company recognized a gain of \$3,990,000 in fiscal year 2016.

***Investment in Majestic 21***

On May 20, 2009, the Company became a 50% guarantor on a \$5 million note payable entered into by Majestic 21, a joint venture in which the Company owns a 50% interest. This guarantee was a requirement of the bank that provided a \$5 million loan to Majestic 21. The \$5 million guarantee of Majestic 21's debt is for the life of the note. The amount

of the guarantee declines with the amortization and repayment of the loan. As collateral for the loan, 21<sup>st</sup> Mortgage Corporation (our joint venture partner) 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 21<sup>st</sup> Mortgage Corporation 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 November 4, 2017, the outstanding principal balance of the note was \$536,598 and the amount of collateral held by our joint venture partner for the Majestic 21 note payable was \$1,501,617. 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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At November 4, 2017, there was approximately \$310,772 in loan loss reserves or 3.13% of the portfolio in Majestic 21. The Majestic 21 joint venture partnership is monitoring loan loss reserves on a monthly basis and is adjusting the loan loss reserves as necessary. The Majestic 21 joint venture is reflected on 21st Mortgage Corporation's financial statements which are included in the financial statements of its ultimate parent which is a public company. Management believes the loan loss reserves are adequate based upon its review of the Majestic 21 joint venture partnership's financial statements.

## ***Income Taxes***

The Company accounts for income taxes utilizing the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

## ***Rebate Program***

The Company has a rebate program for some dealers, based upon the number and type of homes purchased, which pays rebates based upon sales volume to the dealers. Volume rebates are recorded as a reduction of sales in the accompanying consolidated financial statements. The rebate liability is calculated and recognized as eligible homes are sold based upon factors surrounding the activity and prior experience of specific dealers and is included in accrued expenses in the accompanying consolidated balance sheets.

## ***Off-Balance Sheet Arrangements***

As part of our ongoing business, we generally do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities (VIEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of November 4, 2017, we are not involved in any material unconsolidated entities (other than the Company's investments in Majestic 21 and retirement community limited partnerships).

## **Forward Looking Statements**

Certain statements in this report are forward-looking statements within the meaning of the federal securities laws. 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.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide the information required by this item.

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**Item 8. Financial Statements and Supplementary Data**

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<u>Consolidated Statements of Comprehensive Income</u>	16
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

of Nobility Homes, Inc.

We have audited the accompanying consolidated balance sheets of Nobility Homes, Inc. and subsidiaries (the Company ) as of November 4, 2017 and November 5, 2016, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended November 4, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nobility Homes, Inc. and subsidiaries as of November 4, 2017 and November 5, 2016, and the results of their operations and their cash flows for each of the years in the two-year period ended November 4, 2017, in conformity with accounting principles generally accepted in the United States of America.

/s/ WithumSmith+Brown, PC  
Orlando, Florida  
January 26, 2018

**Table of Contents****Nobility Homes, Inc.****Consolidated Balance Sheets****November 4, 2017 and November 5, 2016**

	November 4, 2017	November 5, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 27,910,504	\$ 24,562,638
Short-term investments	627,087	481,025
Accounts receivable trade	2,934,300	2,641,763
Note receivable	500,000	500,000
Mortgage notes receivable	13,495	9,717
Inventories	7,505,681	6,969,081
Pre-owned homes, net	1,141,863	1,295,694
Property held for sale		213,437
Prepaid expenses and other current assets	820,224	638,939
Deferred income taxes	609,629	556,773
<b>Total current assets</b>	<b>42,062,783</b>	<b>37,869,067</b>
Property, plant and equipment, net	4,304,771	4,063,711
Pre-owned homes, net	815,358	1,733,610
Interest receivable	101,301	48,376
Note receivable, less current portion	1,134,086	2,030,000
Mortgage notes receivable, less current portion	240,297	174,270
Other investments	1,471,029	1,367,496
Property held for sale	599,455	386,018
Cash surrender value of life insurance	3,262,848	3,085,916
Other assets	156,287	156,287
<b>Total assets</b>	<b>\$ 54,148,215</b>	<b>\$ 50,914,751</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 849,782	\$ 835,279
Accrued compensation	624,989	682,815
Accrued expenses and other current liabilities	1,127,397	1,123,698
Income taxes payable	260,416	759,128
Customer deposits	2,796,827	1,706,795
<b>Total current liabilities</b>	<b>5,659,411</b>	<b>5,107,715</b>
Deferred income taxes	1,074,507	1,140,529

Total liabilities	6,733,918	6,248,244
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
Additional paid in capital	10,669,231	10,663,348
Retained earnings	46,167,528	43,458,271
Accumulated other comprehensive income	412,233	266,171
Less treasury stock at cost, 1,367,338 shares in 2017 and 1,361,300 shares in 2016	(10,371,186)	(10,257,774)
Total stockholders' equity	47,414,297	44,666,507
Total liabilities and stockholders' equity	\$ 54,148,215	\$ 50,914,751

The accompanying notes are an integral part of these financial statements.

**Table of Contents****Nobility Homes, Inc.****Consolidated Statements of Comprehensive Income****For the years ended November 4, 2017 and November 5, 2016**

	Year Ended	
	November 4, 2017	November 5, 2016
Net sales	\$ 37,543,071	\$ 34,053,290
Cost of goods sold	(28,881,992)	(26,117,155)
Gross profit	8,661,079	7,936,135
Selling, general and administrative expenses	(4,305,205)	(3,782,336)
Operating income	4,355,874	4,153,799
Other income		
Interest income	149,613	112,802
Undistributed earnings in joint venture Majestic 21	103,533	123,772
Proceeds received under escrow arrangement	504,548	788,566
Gain on sale of investment in retirement community		3,990,000
Miscellaneous	54,682	15,297
Total other income	812,376	5,030,437
Income before provision for income taxes	5,168,250	9,184,236
Income tax expense	(1,858,267)	(3,219,042)
Net income	3,309,983	5,965,194
Other comprehensive income		
Unrealized investment gain	146,062	18,447
Comprehensive income	\$ 3,456,045	\$ 5,983,641
Weighted average number of shares outstanding:		
Basic	4,002,436	4,021,019
Diluted	4,003,768	4,022,083
Net income per share:		
Basic	\$ 0.83	\$ 1.48
Diluted	\$ 0.83	\$ 1.48

The accompanying notes are an integral part of these financial statements.



Table of Contents**Nobility Homes, Inc.****Consolidated Statements of Changes in Stockholders Equity****For the years ended November 4, 2017 and November 5, 2016**

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at October 31, 2015	4,031,569	\$ 536,491	\$ 10,650,723	\$ 37,493,077	\$ 247,724	\$ (9,832,263)	\$ 39,095,752
Purchase of treasury stock	(32,375)					(458,276)	(458,276)
Stock-based compensation	413		3,470			3,060	6,530
Unrealized investment loss					18,447		18,447
Exercise of employee stock options	4,000		9,155			29,705	38,860
Net income				5,965,194			5,965,194
Balance at November 5, 2016	4,003,607	\$ 536,491	\$ 10,663,348	\$ 43,458,271	\$ 266,171	\$ (10,257,774)	\$ 44,666,507
Cash dividend				(600,726)			(600,726)
Purchase of treasury stock	(7,341)					(123,237)	(123,237)
Stock-based compensation	303		4,933			2,285	7,218
Unrealized investment gain					146,062		146,062
Exercise of employee stock options	1,000		950			7,540	8,490
Net income				3,309,983			3,309,983
Balance at November 4, 2017	3,997,569	\$ 536,491	\$ 10,669,231	\$ 46,167,528	\$ 412,233	\$ (10,371,186)	\$ 47,414,297

The accompanying notes are an integral part of these financial statements.

**Table of Contents****Nobility Homes, Inc.****Consolidated Statements of Cash Flows****For the years ended November 4, 2017 and November 5, 2016**

	Year Ended	
	November 4, 2017	November 5, 2016
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,309,983	\$ 5,965,194
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	113,757	98,616
Deferred income taxes	(118,878)	2,449,579
Undistributed earnings in joint venture Majestic 21	(103,533)	(123,772)
Gain on sale of investment in retirement community		(3,990,000)
(Gain) loss on disposal of property, plant and equipment	(3,869)	32,098
Inventory impairment	233,000	271,583
Stock-based compensation	7,218	6,530
<b>Decrease (increase) in:</b>		
Accounts receivable trade	(292,537)	296,159
Inventories	(536,600)	(949,376)
Pre-owned homes	839,083	790,277
Income tax receivable		335
Prepaid expenses and other current assets	(181,285)	187,241
Interest receivable	(52,925)	(48,376)
<b>(Decrease) increase in:</b>		
Accounts payable	14,503	130,812
Accrued compensation	(57,826)	292,242
Accrued expenses and other current liabilities	3,699	197,494
Income taxes payable	(498,712)	759,128
Customer deposits	1,090,032	382,934
<b>Net cash provided by operating activities</b>	<b>3,765,110</b>	<b>6,748,698</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(364,698)	(829,002)
Proceeds from sale of property, plant and equipment	13,750	
Collections on note receivable	1,000,000	500,000
Distribution from joint venture Majestic 21		1,000,005
Proceeds from sale of investment in retirement community		960,000
Collections on mortgage notes receivable	1,045	3,508
Issuance of mortgage note receivable	(70,850)	
Collections on equipment notes receivable	4,414	
Issuance of equipment note receivable	(108,500)	
Increase in cash surrender value of life insurance	(176,932)	(170,447)

Net cash provided by investing activities	298,229	1,464,064
<b>Cash flows from financing activities:</b>		
Payment of cash dividend	(600,726)	
Proceeds from exercise of employee stock options	8,490	38,860
Purchase of treasury stock	(123,237)	(458,276)
<b>Net cash used in financing activities</b>	<b>(715,473)</b>	<b>(419,416)</b>
Increase in cash and cash equivalents	3,347,866	7,793,346
Cash and cash equivalents at beginning of year	24,562,638	16,769,292
Cash and cash equivalents at end of year	\$ 27,910,504	\$ 24,562,638
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	\$ 2,476,500	\$ 10,000
Note receivable acquired from sale of investment in retirement community	\$	\$ 3,030,000

The accompanying notes are an integral part of these financial statements.

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## Notes to Consolidated Financial Statements

**NOTE 1 Reporting Entity and Significant Accounting Policies**

**Description of Business and Principles of Consolidation** The consolidated financial statements include the accounts of Nobility Homes, Inc. ( Nobility ), its wholly-owned subsidiaries, Prestige Home Centers, Inc. ( Prestige ), Nobility Parks I, LLC, Nobility Parks II, LLC and Prestige s wholly-owned subsidiaries, Mountain Financial, Inc., an independent insurance agency and licensed mortgage loan originator and Majestic Homes, Inc., (collectively the Company ). The Company is engaged in the manufacture and sale of manufactured and modular homes to various dealerships, including its own retail sales centers, and manufactured housing communities throughout Florida. The Company has one manufacturing plant in operation that is located in Ocala, Florida. At November 4, 2017 Prestige operated ten Florida retail sales centers: Ocala (2), Chiefland, Auburndale, Inverness, Hudson, Tavares, Yulee, Panama City and Punta Gorda.

All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Use of Estimates** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates and assumptions are based upon management s best knowledge of current events and actions that the Company may take in the future. The Company is subject to uncertainties such as the impact of future events, economic, environmental and political factors and changes in the Company s business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company s consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company s operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in the reported financial condition and results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect: valuation of pre-owned homes, the allowance for doubtful accounts, the carrying value of long-lived assets, the provision for income taxes and related deferred tax accounts, certain accrued expenses and contingencies, warranty reserve and stock-based compensation.

**Fiscal Year** The Company s fiscal year ends on the first Saturday on or after October 31. The year ended November 4, 2017 (fiscal year 2017) consisted of a fifty-two week period and the year ended November 5, 2016 (fiscal year 2016) consisted of a fifty-three week period.

**Revenue Recognition** The Company recognizes revenue from its retail sales of new manufactured homes upon the occurrence of the following:

Its receipt of a down payment,

Construction of the home is complete,

Home has been delivered and set up at the retail home buyer's site, and title has been transferred to the retail home buyer,

Remaining funds have been released by the finance company (financed sales transaction), remaining funds have been committed by the finance company by an agreement with respect to financing obtained by the customer, usually in the form of a written approval for permanent home financing received from a lending institution, (financed construction sales transaction) or cash has been received from the home buyer (cash sales transaction), and

Completion of any other significant obligations.

The Company recognizes revenue from the sale of the repurchased homes upon transfer of title to the new purchaser.

The Company recognizes revenues from its independent dealers upon receiving wholesale floor plan financing or establishing retail credit approval for terms, shipping of the home, and transferring title and risk of loss to the independent dealer. For wholesale shipments to independent dealers, the Company has no obligation to setup the home or to complete any other significant obligations.

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## Notes to Consolidated Financial Statements

The Company recognizes revenues from its wholly-owned subsidiary, Mountain Financial, Inc., as follows: commission income (and fees in lieu of commissions) is recorded as of the effective date of insurance coverage or the billing date, whichever is later. Commissions on premiums billed and collected directly by insurance companies are recorded as revenue when received which, in many cases, is the Company's first notification of amounts earned due to the lack of policy and renewal information. Contingent commissions are recorded as revenue when received. Contingent commissions are commissions paid by insurance underwriters and are based on the estimated profit and/or overall volume of business placed with the underwriter. The data necessary for the calculation of contingent commissions cannot be reasonably obtained prior to the receipt of the commission which, in many cases, is the Company's first notification of amounts earned. The Company provides 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 was deemed necessary for policy cancellations at November 4, 2017 or November 5, 2016.

**Revenues by Products and Services** Revenues by net sales from manufactured housing, pre-owned homes, and insurance agent commissions for the years ended November 4, 2017 and November 5, 2016 are as follows:

	2017	2016
Manufactured housing	\$ 35,689,014	\$ 32,189,695
Pre-owned homes	1,586,124	1,628,336
Insurance agent commissions	267,933	235,259
Total net sales	\$ 37,543,071	\$ 34,053,290

**Cash and Cash Equivalents** The Company considers all money market accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable** Accounts receivable are stated at net realizable value. An allowance for doubtful accounts is provided based on prior collection experiences and management's analysis of specific accounts. At November 4, 2017 or November 5, 2016, in the opinion of management, all accounts were considered fully collectible and, accordingly, no allowance was deemed necessary.

Accounts receivable fluctuate due to the number of homes sold to independent dealers. The Company recognizes revenues from its independent dealers upon receiving wholesale floor plan financing or establishing retail credit approval for terms, shipping of the home, and transferring title and risk of loss to the independent dealer.

**Investments** The Company's investments consist of equity securities of a public company. Investments with maturities of less than one year are classified as short-term investments. The Company's equity investment in a public company is classified as available-for-sale and carried at fair value. Unrealized gains on the available-for-sale securities, net of taxes, are recorded in accumulated other comprehensive income.

The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the security is

written down to fair value and the amount of the write-down is included in the accompanying consolidated statements of income and other comprehensive income.

***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 fair market value.

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## Notes to Consolidated Financial Statements

The Company acquired certain repossessed pre-owned inventory (Buy Back Inventory) in 2011 as part of an Amendment of the Finance Revenue Sharing Agreement with 21<sup>st</sup> Mortgage Corporation. This inventory is valued at the Company's cost to acquire determined on the specific identification method, plus refurbishment costs (any item on the home that needs to be repaired or replaced) incurred to date to bring the inventory to a more saleable state. The Buy Back inventory amount is reduced where necessary on a unit specific basis by a valuation reserve which management believes results in inventory being valued at market.

Other pre-owned homes are acquired (Repossessions Inventory) as a convenience to the Company's joint venture partner, 21<sup>st</sup> Mortgage Corporation. This inventory has been repossessed by 21<sup>st</sup> Mortgage Corporation or through mortgage foreclosure. The Company acquired this inventory at the amount of the uncollected balance of the financing at the time of the foreclosure/repossessions by 21<sup>st</sup> Mortgage Corporation. The Company records this inventory at cost determined on the specific identification method. All of the refurbishment costs are paid by 21<sup>st</sup> Mortgage Corporation. This arrangement assists 21<sup>st</sup> Mortgage Corporation with liquidation their repossessed inventory. The timing of these repurchases by the Company is unpredictable as it is based on the repossessions 21<sup>st</sup> Mortgage Corporation incurs in the portfolio. When the home is sold, the Company retains the cost of the home, an interest factor on the cost of the home and a sales commission for the sale of the home, from the sales proceeds. Any additional proceeds are paid to 21<sup>st</sup> Mortgage. Any shortfall from the proceeds to cover these amounts is paid by 21<sup>st</sup> Mortgage to the Company. As the Company has no risk of loss on the sale, there is no valuation allowance necessary for this inventory.

Pre-owned homes are also taken as trade-ins on new home sales (Trade-in Inventory). This inventory is recorded at estimated actual wholesale value which is generally lower than market value, determined on the specific identification method, plus refurbishment costs incurred to date to bring the inventory to a more saleable state. The Trade-in inventory amount is reduced where necessary on a unit specific basis by a valuation reserve which management believes results in inventory being valued at market.

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

See Note 6 for further discussion of inventories.

***Property, Plant and Equipment*** Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Routine maintenance and repairs are charged to expense when incurred. Major replacements and improvements are capitalized. Gains or losses are credited or charged to earnings upon disposition.

***Investment in Majestic 21*** Majestic 21 was formed in 1997 as a joint venture with our joint venture partner, an unrelated entity, 21<sup>st</sup> Mortgage Corporation ( 21 Mortgage ). We have been allocated our share of net income and distributions on a 50/50 basis since Majestic 21's formation. While Majestic 21 has been deemed to be a variable interest entity, the Company only holds a 50% interest in this entity and all allocations of profit and loss are on a 50/50 basis. Since all allocations are to be made on a 50/50 basis and joint decisions with the joint venture partner are made which most significantly impact Majestic 21 economic performance therefore, the Company is not required to consolidate Majestic 21 with the accounts of Nobility Homes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 810, Consolidations (ASC 810). Management believes that the Company's maximum exposure to loss as a result of its involvement with Majestic 21 is its investment in the

joint venture recorded in the accounts of Nobility Homes as of November 4, 2017 or November 5, 2016. Based on management's evaluation, there was no impairment of this investment at November 4, 2017 or November 5, 2016.

The Company entered into an arrangement in 2002 with 21<sup>st</sup> Mortgage to repurchase certain pre-owned homes. Under this arrangement or any other arrangement, the Company is not obligated to repurchase any foreclosed/repossessed units of Majestic 21 as it does not have a repurchase agreement or any other guarantees with Majestic 21. However, the Company buys from 21<sup>st</sup> Mortgage foreclosed/repossessed units from the Majestic 21 portfolio and acts as a remarketing agent. It resells those units through the Company's network of retail centers which management believes benefits the historical loss experience of the joint venture. The only impact on the Company's operations from this arrangement are commissions earned on the resale of these units and interest earned for the Company's carrying costs of the units while in inventory.

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## Notes to Consolidated Financial Statements

See Note 15 for discussion of the Company's guarantee of a \$5 million note payable of Majestic 21.

**Other Investments** The Company has a 31.3% investment interest in Walden Woods South LLC (Walden Woods South), which owns and operates a retirement manufactured home community located in Homosassa, Florida. The Company has the right to assign some of its ownership to partners other than Nobility Homes. The Company's investment in Walden Woods South is fully impaired. The majority owner of Walden Woods South is the Company's President (see note 4).

On March 31, 2016, the Company sold its 48.5% limited partnership interest in CRF III, Ltd. (Cypress Creek) for \$3,990,000. Cypress Creek is a retirement manufactured home community located in Winter Haven, Florida. The Company received \$960,000 cash, net of \$40,000 cost paid and a note receivable for \$3,030,000, plus interest at 3.0%, which is payable to the Company in \$500,000 installments each July 1<sup>st</sup> and January 1<sup>st</sup>, commencing January 1, 2017 through July 1, 2019. The Company received a \$500,000 payment in June 2016 and a \$1,000,000 payment in January 2017. Payments are applied first to any outstanding principal and then to accrued interest at the end of the term. The Company recognized a gain of \$3,990,000 in fiscal year 2016.

See further discussion of these other investments in Note 5.

**Impairment of Long-Lived Assets** In the event that facts and circumstances indicate that the carrying value of a long-lived asset may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down is required. If such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

**Customer Deposits** A retail customer is required to make a down payment ranging from \$500 to 35% of the retail contract price based upon the credit worthiness of the customer. The retail customer receives the full down payment back when the Company is not able to obtain retail financing. If the retail customer receives retail financing and decides not to go through with the retail sale, the Company can withhold 20% of the retail contract price. The Company does not typically receive any deposits from independent dealers.

**Company Owned Life Insurance** The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

**Warranty Costs** The Company provides for a warranty as the manufactured homes are sold. Amounts related to these warranties for fiscal years 2017 and 2016 are as follows:

	2017	2016
Beginning accrued warranty expense	\$ 125,000	\$ 100,000
Less: reduction for payments	(408,925)	(476,039)
Plus: additions to accrual	408,925	501,039

Ending accrued warranty expense	\$ 125,000	\$ 125,000
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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.

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. Accrued warranty costs are included in accrued expenses in the accompanying consolidated balance sheets.

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## Notes to Consolidated Financial Statements

**Accrued Home Setup Costs** Accrued home setup costs represent amounts due to vendors and/or independent contractors for various items related to the actual setup of the home on the retail home buyers' site. These costs include appliances, air conditioners, electrical/plumbing hook-ups, furniture, insurance, impact/permit fees, land/home fees, extended service plan, freight, skirting, steps, well, septic tanks and other setup costs and are included in accrued expenses in the accompanying consolidated balance sheets.

**Stock-Based Compensation** The Company has a stock incentive plan (the Plan) which authorizes the issuance of options to purchase common stock. Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the period during which an employee is required to provide service in exchange for the award (usually the vesting period).

**Rebate Program** The Company has a rebate program for some dealers based upon the number and type of home purchased, which pays rebates based upon sales volume to the dealers. Volume rebates are recorded as a reduction of sales in the accompanying consolidated financial statements. The rebate liability is calculated and recognized as eligible homes are sold based upon factors surrounding the activity and prior experience of specific dealers and is included in accrued expenses in the accompanying consolidated balance sheets. There were no rebates earned by dealers during fiscal years 2017 and 2016.

**Advertising** Advertising for Prestige retail sales centers consists primarily of newspaper, radio and television advertising. All costs are expensed as incurred. Advertising expense amounted to approximately \$190,000 and \$211,000 for fiscal years 2017 and 2016, respectively.

**Income Taxes** The Company accounts for income taxes utilizing the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

**Net Income per Share** These financial statements include basic and diluted net income per share information for all periods presented. The basic net income per share is calculated by dividing net income by the weighted-average number of shares outstanding. The diluted net income per share is calculated by dividing net income by the weighted-average number of shares outstanding, adjusted for dilutive common shares.

**Shipping and Handling Costs** Net sales include the revenue related to shipping and handling charges billed to customers. The related costs associated with shipping and handling is included as a component of cost of goods sold.

**Comprehensive Income** Comprehensive income includes net income as well as other comprehensive income or loss. The Company's other comprehensive income or loss consists of unrealized gains or losses on available-for-sale securities, net of related taxes.

**Segments** The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information on a company-wide or consolidated basis. Accordingly, the Company accounts for its operations in accordance with FASB ASC No. 280, Segment Reporting. No segment disclosures have been made as the Company considers its business activities as a single segment.

**Major Customers** Sales to one publicly traded REIT (Real Estate Investment Trust) which owns multiple retirement communities in our market area accounted for \$1,602,185 or 4% of our total sales in fiscal year 2017 and sales to two publicly traded REITs owning multiple retirement communities accounted for \$3,581,320 or 11% and \$629,345 or 2% respectively, of our total sales in fiscal year 2016. Other companies which own multiple retirement communities in our market area accounted for \$2,155,575 or 6% of our total sales in fiscal year 2017 and \$1,416,180 or 4% of our total sales in fiscal year 2016. Accounts receivable due from these customers were \$1,533,014 and \$1,196,813 at November 4, 2017 and November 5, 2016, respectively.

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## Notes to Consolidated Financial Statements

***Concentration of Credit Risk*** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term and long-term investments and accounts receivable. At times, the Company's deposits may exceed federally insured limits. However, the Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk on these accounts. The majority of the Company's sales are credit sales which are made primarily to customers whose ability to pay is dependent upon the industry economics prevailing in the areas where they operate; however, concentrations of credit risk with respect to accounts receivables is limited due to generally short payment terms. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk. The Company maintains reserves for potential credit losses when deemed necessary and such losses have historically been within management's expectations.

***Concentration of Retail Financing Sources*** There are two national lenders that service the manufactured housing industry with several others who specialize in government insured loans (Fannie, Freddie, FHA, VA, etc.). With only a few lenders dedicated to our industry, the loss of any of them could adversely affect our retail sales.

***Recently Issued Accounting Pronouncements*** In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASU 2016-02). The core principle of ASU 2016-02 is that an entity should recognize on its balance sheet assets and liabilities arising from a lease. In accordance with that principle, ASU 2016-02 requires that a lessee recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying leased asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on the lease classification as finance or operating lease. This new accounting guidance is effective for public companies for fiscal years beginning after December 15, 2018 (i.e., calendar years beginning on January 1, 2019), including interim periods within those fiscal years. Early adoption is permitted. The Company believes the implementation of this guidance will not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendments in this update are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are

effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company has not adopted ASU 2015-17 and believes the implementation of this guidance will have no material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. The amendments require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The amendments in this update are effective for public companies for fiscal years beginning after December 15, 2016. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

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Notes to Consolidated Financial Statements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with a customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and early adoption is not permitted. The Company believes the implementation of this guidance will have no material impact on its consolidated financial statements.

The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Using this principle, a comprehensive framework was established for determining how much revenue to recognize and when it should be recognized. To be consistent with this core principle, an entity is required to apply the following five-step approach:

Identify the contract(s) with a customer;

Identify each performance obligation in the contract;

Determine the transaction price;

Allocate the transaction price to each performance obligation; and

Recognize revenue when or as each performance obligation is satisfied.

The Corporation's revenue comes substantially from the sale of manufactured housing, modular housing and park models, along with freight billed to customers, parts sold and aftermarket services.

The Corporation has evaluated how the adoption of ASU 2014-09 will impact its financial position and result of operations by applying the five-step approach to each revenue stream. No material changes resulting from this pending adoption were identified with the modified retrospective method being utilized.

The Corporation, will greatly increase the amount of required disclosures, including but not limited to:

Disaggregation of revenue in to categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors;

The opening and closing balances of receivables, contract assets, and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period;

Information about performance obligations in contracts with customers; and

Judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers, including the timing of satisfaction of performance obligation, and the transaction price and the amounts allocation to performance obligations.

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## Notes to Consolidated Financial Statements

**NOTE 2 Investments**

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

	Amortized Cost	November 4, 2017		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Equity securities in a public company	\$ 167,930	\$ 459,157	\$	\$ 627,087

	Amortized Cost	November 5, 2016		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Equity securities in a public company	\$ 167,930	\$ 313,095	\$	\$ 481,025

The fair values were estimated based on unadjusted quoted prices at each respective period end.

**NOTE 3 Fair Values of Financial Investments**

The carrying amount of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments.

The Company accounts for the fair value of financial investments in accordance with FASB ASC No. 820, Fair Value Measurements (ASC 820).

ASC 820 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 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 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.

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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.

The following table represents the Company's financial assets and liabilities which are carried at fair value at November 4, 2017 and November 5, 2016.

	November 4, 2017		
	Level 1	Level 2	Level 3
Equity securities in a public company	\$ 627,087	\$	\$

	November 5, 2016		
	Level 1	Level 2	Level 3
Equity securities in a public company	\$ 481,025	\$	\$

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## Notes to Consolidated Financial Statements

**NOTE 4 Related Party Transactions*****Affiliated Entities***

*TLT, Inc.* Our President and Chairman of the Board of Directors ( President ) and the Executive Vice President each own 50% of the stock of TLT, Inc. TLT, Inc. is the general partner of limited partnerships which are developing manufactured housing communities in Central Florida (the TLT Communities ). Our President owns between a 24.75% and a 49.5% direct and indirect interest in each of these limited partnerships. Our Executive Vice President owns between a 49.5% and a 57.75% direct and indirect interest in each of these limited partnerships. The TLT Communities have purchased manufactured homes exclusively from the Company since 1990. Sales to TLT Communities were not significant during fiscal years 2017 and 2016.

*Walden Woods South* The Company s President owns 51% of Walden Woods South LLC, which owns the Walden Woods South retirement community.

**NOTE 5 Other Investments**

***Investment in Joint Venture Majestic 21*** During fiscal 1997, the Company contributed \$250,000 for a 50% interest in a joint venture engaged in providing mortgage financing on manufactured homes. This investment is accounted for under the equity method of accounting.

While Majestic 21 has been deemed to be a variable interest entity, the Company only holds a 50% interest in this entity and all allocations of profit and loss are on a 50/50 basis. Since all allocations are to be made on a 50/50 basis and the Company s maximum exposure is limited to its investment in Majestic 21, management has concluded that the Company would not absorb a majority of Majestic 21 s expected losses nor receive a majority of Majestic 21 s expected residual returns; therefore, the Company is not required to consolidate Majestic 21 with the accounts of Nobility Homes in accordance with ASC 810.

See Note 15 for discussion of the Company s guarantee of a \$5 million note payable of Majestic 21.

We received no distributions from the joint venture in fiscal year 2017 compared to approximately \$1,000,000 for fiscal year 2016.

With regard to our investment in Majestic 21, there are no differences between our investment balance and the amount of underlying equity in net assets owned by Majestic 21.

***Investment in Retirement Community Limited Partnerships*** The Company has a 31.3% investment interest in Walden Woods South LLC ( Walden Woods South ), which owns and operates a retirement manufactured home community named Walden Woods South located in Homosassa, Florida. The Company s investment in Walden Woods South is fully impaired. The majority owner of Walden Woods South is the Company s President. The Company s President guaranteed the financing used to purchase Walden Woods South a retirement community, which created an implicit guarantee from the Company. The implicit guarantee caused Walden Woods South to be a variable interest entity as defined in ASC 810. The Company is considered to currently have an implicit guarantee with Walden Woods South because it is a related party to the primary guarantor. In determining the primary beneficiary of

the variable interest entity, the Company has determined the President has the power to direct the activities that most significantly impact the economic performance of Walden Woods South. As a result, in accordance with ASC 810, Walden Woods South has not been consolidated in the financial statements of the Company.

The investment in Walden Woods South is accounted for under the equity method of accounting and all allocations of profit and loss are on pro-rata basis. Since the Company's maximum exposure is limited to its investment in Walden Woods South, management has concluded that the Company would not absorb a majority of Walden Woods South's expected losses nor receive a majority of Walden Woods South's expected residual returns; therefore, the Company is not required to consolidate Walden Woods South with the accounts of Nobility Homes in accordance with ASC 810.

The Company has no obligation to fund future operating losses of Walden Woods South and accordingly, has not reduced the investment carrying value to less than zero.

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## Notes to Consolidated Financial Statements

On March 31, 2016, the Company sold its 48.5% limited partnership interest in CRF III, Ltd. ( Cypress Creek ) for \$3,990,000. Cypress Creek is a retirement manufactured home community located in Winter Haven, Florida. The Company received \$960,000 cash, net of \$40,000 cost paid and a note receivable for \$3,030,000, plus interest at 3.0%, which is payable to the Company in \$500,000 installments each July 1<sup>st</sup> and January 1<sup>st</sup>, commencing January 1, 2017 through July 1, 2019. The Company received a \$500,000 payment in June 2016 and a \$1,000,000 payment in January 2017. Payments are applied first to any outstanding principal and then to accrued interest at the end of the term. The Company recognized a gain of \$3,990,000 in fiscal 2016.

**NOTE 6 Inventories**

The Company acquired a significant amount of repossessed pre-owned (Buy Back) inventory in 2011. Other pre-owned homes are periodically acquired (Repossessions) as a convenience to the Company's joint venture partner. Pre-owned homes are also taken as trade-ins on new home sales (Trade-Ins). This inventory consists of individual homes and homes on a real estate parcel. The Company continually monitors this inventory and records a valuation allowance where necessary on a unit specific basis which management believes results in inventory being valued at market. The Company could experience additional losses on the disposition of these homes beyond the level of the reserve recorded by the Company.

A breakdown of the elements of inventory at November 4, 2017 and November 5, 2016 is as follows:

	November 4, 2017	November 5, 2016
Raw materials	\$ 896,954	\$ 717,525
Work-in-process	110,847	120,693
Finished homes	6,369,495	6,025,268
Model home furniture	128,385	105,595
<b>Inventories</b>	<b>\$ 7,505,681</b>	<b>\$ 6,969,081</b>
Pre-owned homes *	\$ 2,736,946	\$ 4,014,119
Inventory impairment reserve **	(779,725)	(984,815)
	1,957,221	3,029,304
Less homes expected to sell in 12 months	(1,141,863)	(1,295,694)
Pre-owned homes, long-term	\$ 815,358	\$ 1,733,610

\* The following table summarizes a breakdown of pre-owned homes inventory for fiscal years 2017 and 2016:

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	Buy Back	Repossessions	Trade-Ins	Total
Balance at October 31, 2015	\$ 4,315,238	\$ 1,158,109	\$ 42,925	\$ 5,516,272
Additions		350,735	56,486	407,221
Sales	(1,745,955)	(106,453)	(56,966)	(1,909,374)
Balance at November 5, 2016	2,569,283	1,402,391	42,445	4,014,119
Additions		235,417	57,101	292,518
Sales	(1,156,381)	(373,881)	(39,429)	(1,569,691)
Balance at November 4, 2017	\$ 1,412,902	\$ 1,263,927	\$ 60,117	\$ 2,736,946

\*\* An analysis of the pre-owned home inventory impairment reserve at November 4, 2017 and November 5, 2016 is as follows:

	November 4, 2017	November 5, 2016
Balance at beginning of year	\$ 984,815	\$ 1,425,108
Less: Reductions for homes sold	(354,168)	(568,797)
Inventory holding costs	(83,922)	(143,079)
Additions to impairment reserve	233,000	271,583
Balance at end of year	\$ 779,725	\$ 984,815

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## Notes to Consolidated Financial Statements

**NOTE 7 Property Held for Sale**

The Company has offered for sale its former sales center in Pace, Florida and its former manufacturing facility in Belleview, Florida. Accordingly, these assets have been reclassified from property, plant and equipment as property held for sale in the accompanying balance sheet as of November 5, 2016. The Company has determined the fair value of its property held for sale exceeds its carrying value and no valuation allowance is necessary. At November 4, 2017, the net book value of the Pace property was reclassified from current assets to non-current assets in the accompanying balance sheet as the property is no longer under contract for sale. The combined net book value of the Belleview facility and Pace property in the amount of \$599,455 has been presented in the accompanying balance sheet as property held for sale (non-current asset) at November 4, 2017.

**NOTE 8 Property, Plant and Equipment**

Property, plant and equipment, along with their estimated useful lives and related accumulated depreciation are summarized as follows:

	Range of Lives in Years	November 4, 2017	November 5, 2016
Land		\$ 2,870,463	\$ 2,870,463
Land improvements	10-20	743,956	689,043
Buildings and improvements	15-40	2,194,435	2,019,429
Machinery and equipment	3-10	786,708	749,360
Furniture and fixtures	3-10	277,386	223,537
		6,872,948	6,551,832
Less accumulated depreciation		(2,568,177)	(2,488,121)
		\$ 4,304,771	\$ 4,063,711

Depreciation expense during the years ended November 4, 2017 and November 5, 2016 totaled \$113,757 and \$98,616, respectively.

**NOTE 9 Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities are comprised of the following:

	November 4, 2017	November 5, 2016
Accrued warranty expense	\$ 125,000	\$ 125,000
Accrued property and sales taxes	359,957	299,710
Other accrued expenses	642,440	698,988

Total accrued expenses and other current liabilities	\$	1,127,397	\$	1,123,698
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**NOTE 10 Proceeds Received Under Escrow Arrangement**

We received \$504,548 in fiscal year 2017 and \$788,566 in fiscal year 2016 under an escrow arrangement related to a Finance Revenue Sharing Agreement between 21<sup>st</sup> Mortgage Corporation and the Company. The distributions from the escrow account, related to certain loans financed by 21<sup>st</sup> Mortgage Corporation, are recorded in income by the Company when received, which has been the Company's past practice.

**NOTE 11 Income Taxes**

The Company computes income tax expense using the liability method. Under this method, deferred income taxes are provided, to the extent considered realizable by management, for basis differences of assets and liabilities for financial reporting and income tax purposes.

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## Notes to Consolidated Financial Statements

The Company follows guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more-likely-than-not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax of the state of Florida. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not reflect any amounts for interest and penalties in its 2017 or 2016 statements of operations, nor are any amounts accrued for interest and penalties at November 4, 2017 and November 5, 2016.

The provision for income taxes for the years ended consists of the following:

	November 4, 2017	November 5, 2016
Current tax expense:		
Federal	\$ 1,689,446	\$ 769,463
State	287,699	
	1,977,145	769,463
Deferred tax (benefit) expense	(118,878)	2,449,579
Provision for income taxes	\$ 1,858,267	\$ 3,219,042

The following table shows the reconciliation between the statutory federal income tax rate and the actual provision for income taxes for the years ended:

	November 4, 2017	November 5, 2016
Provision federal statutory tax rate	\$ 1,757,205	\$ 3,122,640
Increase (decrease) resulting from:		
State taxes, net of federal tax benefit	187,606	253,435
Permanent differences:		
Stock option expirations	3,910	
Other	(90,454)	(157,033)
Income tax expense	\$ 1,858,267	\$ 3,219,042

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts and the related deferred tax assets and deferred tax liabilities are as follows:

	November 4, 2017	November 5, 2016
<b>Deferred tax assets:</b>		
Allowance for doubtful accounts	\$ 87,261	\$ 87,261
Inventories	339,954	440,988
Accrued expenses	192,427	156,260
Stock-based compensation	1,052	4,717
<b>Total deferred tax assets</b>	<b>620,694</b>	<b>689,226</b>
<b>Deferred tax liabilities:</b>		
Depreciation	(80,858)	(38,050)
Installment sale of Cypress Creek	(547,348)	(871,277)
Carrying value of investments	(388,543)	(295,834)
Amortization	(58,810)	(58,810)
Prepaid expenses	(10,013)	(9,011)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ (464,878)</b>	<b>\$ (583,756)</b>

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## Notes to Consolidated Financial Statements

These amounts are included in the accompanying consolidated balance sheets under the following captions:

	November 4, 2017	November 5, 2016
<b>Current assets (liabilities):</b>		
Deferred tax assets	\$ 619,642	\$ 684,509
Deferred tax liabilities	(10,013)	(127,736)
Net current deferred tax assets	609,629	556,773
<b>Non-current assets (liabilities):</b>		
Deferred tax assets	9,012	11,030
Deferred tax liabilities	(1,083,519)	(1,151,559)
Net non-current deferred tax liabilities	(1,074,507)	(1,140,529)
<b>Net deferred tax liabilities</b>	<b>\$ (464,878)</b>	<b>\$ (583,756)</b>

In assessing the ability to realize a portion of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. For fiscal years 2017 and 2016, the Company determined that a valuation reserve for the Company's deferred tax assets was not considered necessary as the deferred tax assets were fully realizable.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (H.R. 1) (the Act). The Act includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the corporate income tax rate from 34% to 21%. The rate reduction took effect on January 1, 2018.

As of November 4, 2017, the Company had a net deferred tax liability totaling approximately \$465,000. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company's net deferred tax liability as of November 4, 2017 was determined based on the current enacted federal tax rate of 34% prior to the passage of the Act. As a result of the reduction in the corporate income tax rate to 21% from 34% under the Act, the Company will need to revalue its net deferred tax assets and liabilities as of January 31, 2018. The Company estimates that this will result in a reduction in its net deferred tax liability of approximately \$150,000, which will reduce income tax expense in the first quarter of 2018.

The Company's revaluation of its deferred tax assets is subject to further clarification of the new law that cannot be estimated at this time. As such, the Company is currently unable to make a final determination of the effect on annual earnings for the fiscal year ending 2018. Additionally, the Company is evaluating the other provisions of the Act and is unable to assess the effect on the Company at this time.

**NOTE 12 Stockholders' Equity**

Authorized preferred stock may be issued in series with rights and preferences designated by the Board of Directors at the time it authorizes the issuance of such stock. The Company has never issued any preferred stock. Treasury stock is recorded at cost and is presented as a reduction of stockholders' equity in the accompanying consolidated financial statements. The Company repurchased 7,341 and 32,375 shares of its common stock during fiscal years 2017 and 2016, respectively.

**NOTE 13 Stock Option Plan**

In June 2011, the Company's Board of Directors adopted and the Company's shareholders later approved, the Nobility Homes, Inc. 2011 Stock Incentive Plan (the "Plan"), providing for the issuance of options to purchase shares of common stock, stock appreciation rights and other stock-based awards to employees and non-employee directors. A total of 300,000 shares were reserved for issuance under the Plan, all of which may be issued pursuant to the exercise of incentive stock options. At November 4, 2017, options available for future grant under the plan were 295,000 and 5,000 options were outstanding.

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is to be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). The grant date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost

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## Notes to Consolidated Financial Statements

will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. During fiscal years 2017 and 2016, the Company recognized approximately \$1,800 and \$1,500 in compensation cost related to stock options respectively.

A summary of information with respect to options granted is as follows:

	Number of Shares	Stock Option Price Range	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at October 31, 2015	5,000	\$8.49 - 10.45	\$ 9.47	
Granted	5,000	12.10	12.10	
Exercised	(4,000)	8.49 - 10.45	9.72	
Canceled				
Outstanding at November 5, 2016	6,000	\$8.49 - 12.10	\$ 11.50	
Granted				
Exercised	(1,000)	8.49	8.49	
Canceled				
Outstanding at November 4, 2017	5,000	\$12.10	\$ 12.10	\$ 24,500

The aggregate intrinsic value in the table above represents total intrinsic value (of options in the money), which is the difference between the Company's closing stock price on the last trading day of fiscal year 2017 and the exercise price times the number of shares, that would have been received by the option holders had the option holders exercised their options on November 4, 2017.

The following table summarizes information about the outstanding stock options at November 4, 2017:

Exercise Price	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 12.10	5,000	4	\$ 12.10	5,000	\$ 12.10
	5,000	4	\$ 12.10	5,000	\$ 12.10

The fair value of each option is determined using the Black-Scholes option-pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments, and the risk-free interest rate over the expected life of the option. The dividend yield was calculated by dividing the current annualized dividend by the option exercise price for each grant. The expected volatility was determined considering the Company's historical stock prices for the fiscal year the grant occurred and prior fiscal years for a period equal to the expected life of the option. The risk-free interest rate was the rate available on zero coupon U.S. government obligations with a term equal to the expected life of the option. The expected life of the option was estimated based on the exercise history from previous grants.

**NOTE 14 Employee Benefit Plan**

The Company has a defined contribution retirement plan (the Plan) qualifying under Section 401(k) of the Internal Revenue Code. The Plan covers employees who have met certain service requirements. The Company makes a discretionary matching contribution of up to 20% of an employee's contribution, up to a maximum of 6% of an employee's compensation. The contribution expense charged to operations amounted to approximately \$19,000 and \$20,000 in fiscal years 2017 and 2016, respectively.

**NOTE 15 Commitments and Contingent Liabilities**

*Operating Leases* The Company leases the property for several Prestige retail sales centers from various unrelated entities under operating lease agreements expiring through November 2020. The Company also leases certain equipment under unrelated operating leases. These leases have varying renewal options. Total rent expense for operating leases, including those with terms of less than one year, amounted to \$182,721 and \$188,416 in fiscal year 2017 and 2016, respectively.

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## Notes to Consolidated Financial Statements

Future minimum payments by year and in the aggregate, under the aforementioned leases and other non-cancelable operating leases with initial or remaining terms in excess of one year, as of November 4, 2017 are as follows for the fiscal years ending:

2018	\$ 26,400
2019	26,400
2020	26,400
Total minimum payments required	\$ 79,200

**Majestic 21** On May 20, 2009, the Company became a 50% guarantor on a \$5 million note payable entered into by Majestic 21, a joint venture in which the Company owns a 50% interest. 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. The amount of the guarantee declines with the amortization and repayment of the loan. As collateral for the loan, 21<sup>st</sup> Mortgage Corporation (our joint venture partner) 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 21<sup>st</sup> Mortgage Corporation 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 November 4, 2017, the outstanding principal balance of the note was \$536,598 and the amount of collateral held by our joint venture partner for the Majestic 21 note payable was \$1,501,617. Should the collateral not be sufficient, the Company's maximum exposure at November 4, 2017, would be 50% or \$268,299 of the outstanding principal balance. 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.

On November 4, 2017, there was approximately \$310,772 in loan loss reserves or 3.13% of the portfolio in Majestic 21. The Majestic 21 joint venture partnership is monitoring loan loss reserves on a monthly basis and is adjusting the loan loss reserves as necessary. The Majestic 21 joint venture is reflected on 21<sup>st</sup> Mortgage Corporation's financial statements which are included in the financial statements of its ultimate parent which is a public company. Management believes the loan loss reserves are adequate based upon its review of the Majestic 21 joint venture partnership's financial statements.

**Other Contingent Liabilities** Certain claims and suits arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows. Accordingly, the Company has not made any accrual provisions for litigation in the accompanying consolidated financial statements.

The Company does not maintain casualty insurance on some of its property, including the inventory at our retail centers, our plant machinery and plant equipment and is at risk for those types of losses.



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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no disagreements with accountants on accounting and financial disclosure matters.

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* The Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) 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, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the Evaluation Date.

*Management's Annual Report on Internal Control over Financial Reporting.* The Company's management is responsible for establishing and maintaining adequate and effective internal control over financial reporting in order to provide reasonable assurance of the reliability of the Company's financial reporting and preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting involves policies and procedure that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer Company assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of November 4, 2017 based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and determined that its internal controls were effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

*Changes in internal control over financial reporting.* There were no changes in our internal controls over financial reporting that occurred during the fourth quarter of fiscal 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Item 9B. Other Information**

None.



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**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Information is incorporated by reference pursuant to Instruction G of Form 10-K from its definitive proxy statement for the 2018 annual meeting of shareholders.

The following table provides the names, ages and business experience for the past five years for each of Nobility's executive officers. Executive officers are each elected for one year terms.

**Executive Officers**

Terry E. Trexler (78)	Chairman of the Board and President of Nobility since 1967; Mr. Trexler is also President of TLT, Inc.
Thomas W. Trexler (54)	Executive Vice President and Chief Financial Officer of Nobility since December 1994; President of Prestige Home Centers, Inc. since June 1995; Director of Prestige since 1993 and Vice President from 1991 to June 1995; President of Mountain Financial, Inc. since August 1992; Vice President of TLT, Inc. since September 1991.
Jean Etheredge (72)	Secretary since 1967.

Lynn J. Cramer, Jr. (72) Treasurer since 1980.

Thomas W. Trexler, Executive Vice President, Chief Financial Officer and a director, is the son of Terry E. Trexler, Nobility's President and Chairman of the Board. There are no other family relationships between any directors or executive officers.

**Code of Ethics**

We have adopted a code of ethics that applies to the principal executive officer, principal financial officer, executive vice presidents and controller. The code has been designed in accordance with provisions of the Sarbanes-Oxley Act of 2002, to promote honest and ethical conduct.

Our code of ethics is available on our website at [www.nobilityhomes.com](http://www.nobilityhomes.com). You may also obtain a copy of the Nobility Homes, Inc. Code of Ethics, at no cost, by forwarding a written request to the Secretary, Nobility Homes, Inc., 3741 SW 7<sup>th</sup> Street, Ocala, Florida 34474.

**Item 11. Executive Compensation**

Information concerning executive compensation is incorporated by reference pursuant to Instruction G of Form 10-K from Nobility's definitive proxy statement for the 2018 annual meeting of shareholders.

**Item 12.**

**Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information concerning security ownership of certain beneficial owners and management is incorporated by reference pursuant to Instruction G of Form 10-K from Nobility's definitive proxy statement for the 2018 annual meeting of shareholders.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information concerning certain relationships and related transactions is incorporated by reference pursuant to Instruction G of Form 10-K from Nobility's definitive proxy statement for the 2018 annual meeting of shareholders.

**Item 14. Principal Accounting Fees and Services**

Information concerning principal accountant fees and services is incorporated by reference pursuant to Instruction G of Form 10-K from Nobility's definitive proxy statement for the 2018 annual meeting of shareholders.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) Consolidated Financial Statements and Schedules  
Report of WithumSmith+Brown, PC

Consolidated Balance Sheets at November 4, 2017 and November 5, 2016

Consolidated Statements of Comprehensive Income for the Years Ended November 4, 2017 and November 5, 2016

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended November 4, 2017 and November 5, 2016

Consolidated Statements of Cash Flows for the Years Ended November 4, 2017 and November 5, 2016

Notes to Consolidated Financial Statements

(b) Exhibits:

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this report and the

Company's other public files, which are available without charge through the SEC's website at <http://www.sec.gov>.

- 3.(a) Nobility's Articles of Incorporation, as amended (filed as an exhibit to Nobility's Form 10-K for the fiscal year ended November 1, 1997 and incorporated herein by reference). (P)
- (b) Bylaws, as amended March 28, 1994 (filed as an exhibit to Nobility's Form 10-KSB for the fiscal year ended October 29, 1994 and incorporated herein by reference.) (P)
- 10.(a) Joint Venture Agreement with 21st Century Mortgage Corporation (filed as an exhibit to Nobility's Form 10-K for the fiscal year ended November 1, 1997 and incorporated herein by reference). (P)
- (b) 2011 Stock Incentive Plan (filed as part of Nobility's definitive proxy statement filed on June 7, 2011 and incorporated herein by reference).
- (c) Agreement dated September 7, 2001 between Nobility and Terry E. Trexler relating to use of life insurance proceeds (filed as an exhibit to Nobility's Form 10-K for the fiscal year ended November 3, 2001 and incorporated herein by reference). (P)
- (d) Finance Revenue Sharing Agreement dated April 10, 2004 between 21st Mortgage Corporation, Prestige Home Centers, Inc. and Majestic Homes, Inc. (filed as an exhibit to Nobility's Form 10-K for the fiscal year ended October 31, 2009 and incorporated herein by reference). (P)

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- (e) Seventh Amendment to the Finance Revenue Sharing Agreement dated April 10, 2004 with 21st Mortgage Corporation (filed as an exhibit to Nobility s Form 8-K filed November 14, 2011 and incorporated herein by reference).
- (f) Loan and Security Agreement dated May 20, 2009, by and among Clayton Bank & Trust, Majestic 21 Partnership, 21st Mortgage Corporation, Majestic Homes, Inc. and the Company, as guarantor (filed as an exhibit to Nobility s Form 10-K for the fiscal year ended October 31, 2009 and incorporated herein by reference). (P)
- (g) Term Note dated May 20, 2009 in favor of Clayton Bank & Trust (filed as an exhibit to Nobility s Form 10-K for the fiscal year ended October 31, 2009 and incorporated herein by reference). (P)
- (h) Promissory Note dated March 31, 2016, payable to Nobility Parks II, LLC (filed as an exhibit to Nobility s Form 10-K for the fiscal year ended November 5, 2016 and incorporated herein by reference).
- 21.1 Subsidiaries of Nobility (filed as an exhibit to Nobility s Form 10-K for the fiscal year ended November 5, 2016 and incorporated herein by reference).
- 23.1 Consent of WithumSmith+Brown, PC
- 31.(a) Written Statement 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) Written Statement 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 Section 13 or 15(d) 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: January 26, 2018

By: /s/ Terry E. Trexler  
Terry E. Trexler, Chairman,

President and Chief Executive Officer (Principal  
Executive Officer)

DATE: January 26, 2018

By: /s/ Thomas W. Trexler  
Thomas W. Trexler, Executive Vice President

and Chief Financial Officer (Principal Financial  
Officer)

DATE: January 26, 2018

By: /s/ Lynn J. Cramer, Jr.  
Lynn J. Cramer, Jr., Treasurer

and Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

DATE: January 26, 2018

By: /s/ Terry E. Trexler  
Terry E. Trexler, Director

DATE: January 26, 2018

By: /s/ Richard C. Barberie  
Richard C. Barberie, Director

DATE: January 26, 2018

By: /s/ Robert P. Saltsman  
Robert P. Saltsman, Director

DATE: January 26, 2018

By: /s/ Thomas W. Trexler  
Thomas W. Trexler, Director