NVR INC
Form DEF 14A
March 19, 2010

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registranto
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

NVR, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

NVR, INC.
11700 Plaza America Drive
Reston, VA 20190
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on Tuesday, May 4, 2010
11:30 A.M. Eastern Time

NVR, Inc. will hold its Annual Meeting of Shareholders at 11:30 A.M. (Eastern Time) on Tuesday, May 4, 2010. We will hold the meeting at our corporate headquarters located at 11700 Plaza America Dr., Suite 500, Reston, Virginia, 20190.

We are holding the meeting for the following purposes:

1. To elect four nominees for director to serve three year terms and until their successors are duly elected and qualified;

2. To ratify the appointment of the accounting firm of KPMG LLP as our independent auditor for the year ending December 31, 2010;

3. To approve a management proposal to amend our Restated Articles of Incorporation and Bylaws to declassify the Board of Directors and establish annual elections, whereby all directors would stand for re-election annually;

4. To approve the proposal to adopt the NVR, Inc. 2010 Equity Incentive Plan, which authorizes us to grant options and restricted share units to our employees to acquire an aggregate of 700,000 shares of NVR common stock; and

5. To transact other business that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The above items are fully described in the proxy statement, which is part of this notice. We have not received notice of any other matters that may properly be presented at the meeting.

Only shareholders of record at the close of business on March 5, 2010 will be entitled to vote at the meeting. Whether or not you plan to attend the meeting, you are urged to date and sign the enclosed proxy card and return it promptly in the accompanying envelope. You are invited to attend the meeting in person. If you do attend the meeting, you may withdraw your proxy and vote in person.

By order of the Board of Directors,

James M. Sack
Secretary and General Counsel

March 22, 2010

NVR, INC.
11700 Plaza America Drive
Suite 500
Reston, VA 20190
PROXY STATEMENT

This Proxy Statement, Proxy Card and the Annual Report for the year ended December 31, 2009 are being mailed to our shareholders on or about March 22, 2010 in connection with the solicitation on behalf of the Board of Directors of NVR, Inc., a Virginia corporation, of proxies for use at our Annual Meeting of Shareholders. The Annual Meeting will be held on Tuesday, May 4, 2010, at our corporate headquarters located at 11700 Plaza America Dr., Suite 500, Reston, Virginia, 20190, at 11:30 A.M., Eastern Time, and at any and all postponements and adjournments thereof. Shareholders should contact NVR s Investor Relations Department at the same address to obtain directions to be able to attend the Annual Meeting in person.

We bear the cost of proxy solicitation, including expenses in connection with preparing, assembling and mailing the proxy solicitation materials and all papers accompanying them. We may reimburse brokers or persons holding shares in their names or in the names of their nominees for their expenses in sending proxies and proxy material to beneficial owners. In addition to solicitation by mail, certain of our officers, directors and regular employees, who will receive no extra compensation for their services, may solicit proxies by telephone, facsimile transmission, internet or personally. We have retained Georgeson Inc. to assist in the solicitation of brokers, bank nominees and institutional holders for a fee of approximately $4,500 plus out-of-pocket expenses.

All voting rights are vested exclusively in the holders of our common stock, par value $.01 per share (the Common Stock). Only shareholders of record as of the close of business on March 5, 2010 (the Record Date) are entitled to receive notice of and to vote at the Annual Meeting. Shareholders include holders (the Participants) owning stock in our Profit Sharing Trust Plan and Employee Stock Ownership Plan (together, the Plans).

The accompanying proxy card should be used to instruct the persons named as the proxy to vote the shareholder s shares in accordance with the shareholder s directions. The persons named in the accompanying proxy card will vote shares of Common Stock represented by all valid proxies in accordance with the instructions contained thereon. In the absence of instructions, shares represented by properly executed proxies will be voted **FOR** the election of those four persons designated hereinafter as nominees for Class II of our directors, **FOR** the ratification of KPMG LLP as our Independent Auditor for 2010, **FOR** the proposal to approve amendments to our Restated Articles of Incorporation and Bylaws to declassify the Board of Directors, **FOR** the proposal to adopt the NVR, Inc. 2010 Equity Incentive Plan and in the discretion of the named proxies with respect to any other matters presented at the Annual Meeting.

With respect to the tabulation of proxies, for the election of directors, the ratification of the appointment of KPMG LLP as our independent auditor, and approval of the NVR, Inc. 2010 Equity Incentive Plan, abstentions and broker non-votes are counted for the purpose of establishing a quorum, but are not counted in the number of votes cast and will have no effect on the result of the vote. For purposes of the proposal to amend our Restated Articles of Incorporation and Bylaws to declassify the Board of Directors, abstentions and broker non-votes will have the effect of a vote against that proposal. In addition, under the current New York Stock Exchange s rules, most intermediaries that do not receive voting instructions from their customers who hold NVR common stock may not vote the shares they hold on behalf of those customers on any of the proposals other than ratification of the appointment of KPMG LLP as our independent auditor. Accordingly, we strongly encourage all of our shareholders who hold shares of NVR common stock in a brokerage account or through a bank, trust or other nominee, to provide voting instructions to their broker, bank, trustee or other nominee to assure that their shares are voted at the Annual Meeting.

Any shareholder may revoke his or her proxy at any time prior to its use by 1) providing our Secretary, at 11700 Plaza America Drive, Suite 500, Reston, Virginia 20190, written notice of revocation, 2) duly executing a proxy bearing a later date than the date of the previously duly executed proxy, or 3) by attending the Annual Meeting and voting in person. Execution of the enclosed proxy will not affect your right to vote in person if you should later decide to attend the Annual Meeting.

The proxy card also should be used by Participants to instruct the trustee of the Plans how to vote shares of Common Stock held on their behalf. The trustee is required under the applicable trust agreement to establish procedures to ensure that the instructions received from Participants are held in confidence and not divulged, released or otherwise utilized in a manner that might influence the Participants free exercise of their voting rights. Proxy cards representing shares held by Participants must be returned to the tabulator by April 29, 2010 using the enclosed return envelope and should not be returned to us. If shares are owned through the Plans and the Participant does not submit voting instructions by April 29, 2010, the trustee of the Plans will vote such shares in the same proportion as the voting instructions received from the other Participants. Participants who wish to revoke a proxy card will need to contact the trustee and follow its instructions.

As of the Record Date, we had a total of 6,124,108 shares of Common Stock outstanding, each share of which is entitled to one vote. The presence, either in person or by proxy, of persons entitled to vote a majority of the outstanding Common Stock is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Under our Restated Articles of Incorporation and Bylaws, holders of Common Stock are not entitled to vote such shares on a cumulative basis, including with respect to the voting for directors.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 4, 2010:

This Proxy Statement and our Annual Report for the year ended December 31, 2009 are available at www.edocumentview.com/nvr.

Election of Directors
(Proposal 1)

Our Board of Directors, or the Board, is currently divided into three classes, the classes being as equal in number as possible. At the 2010 Annual Meeting, the following persons constituting Class II of the directors have been nominated by the Board of Directors to be elected to hold office for a three year term ending 2013 and until their successors are duly elected and qualified:

Manuel H. Johnson
David A. Preiser
John M. Toups
Paul W. Whetsell

Our Restated Articles of Incorporation state that the number of directors on our Board will be no less than seven and no more than thirteen, as established from time to time by Board resolution. Our Board has currently set the size of the Board at eleven members.

Mssrs. Johnson, Preiser, Toups and Whetsell are current directors standing for reelection. Each nominee has consented to serve as one of our directors if elected. Our Board of Directors has affirmatively determined that each of our Board of Directors proposed nominees is independent. Our Board does not contemplate that any of its proposed nominees listed above will become unavailable for any reason, but if any such unavailability should occur before the Annual Meeting, proxies may be voted for another nominee selected by the Board of Directors.

If shareholders approve Proposal 3 to amend the Restated Articles of Incorporation and Bylaws to declassify the Board, all of our directors would stand for re-election annually beginning at the 2011 Annual Meeting.

Required Vote

Each director shall be elected by a majority of the votes cast by the shares entitled to vote in the election at the Annual Meeting, assuming that a quorum is present. A majority of the votes cast means that the number of shares voted for a director must exceed the number of shares voted against that director. Unless marked otherwise, proxies received will be voted **FOR** the election of those four persons designated above as nominees for Class II of our directors. Shareholders may abstain from voting for any particular nominee by so indicating in the space provided on the attached proxy card. An abstention will not be counted as a vote cast for or against a director s election.

Pursuant to our Corporate Governance Guidelines, the Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. Under the Guidelines, the Board shall nominate for election or re-election as a director only candidates who agree to tender their resignation if they fail to receive the required number of votes for re-election. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender their resignation if they fail to receive the required number of votes for re-election.

The Nominating Committee shall promptly consider the resignation offer of any such director and recommend to the Board whether to accept the tendered resignation or reject it. The Board shall take action with respect to the Nominating Committee s recommendation no later than 90 days following the submission of any such resignation offer.

Following the Board s action regarding the Nominating Committee s recommendation, the Company shall promptly file a Current Report on Form 8-K with the Securities and Exchange Commission which shall detail the Board s decision regarding a tendered resignation. This disclosure shall include an explanation of the process by which the Board s decision was reached and the reasons for the Board s decision.

To the extent that one or more directors resignations are accepted by the Board, the Nominating Committee will recommend to the Board whether to fill the vacancy or vacancies or to reduce the size of the Board.

The Board expects that any director who tenders his or her resignation pursuant to this Policy will not participate in the Nominating Committee recommendation or Board action regarding whether to accept or reject the tendered resignation. If, however, a majority of the members of the Nominating Committee fails to receive the required number of votes for re-election in the election, the independent directors who did not fail to receive the required number of votes for re-election in the election shall form a committee amongst themselves for the purposes of evaluating the tendered resignations and recommending to the Board whether to accept or reject them.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING FOR ALL OF THE FOREGOING NOMINEES AS DIRECTORS OF NVR

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

We are committed to having sound corporate governance principles and practices. Having and acting on that commitment is essential to running our business efficiently and to maintaining our integrity in the marketplace. Our primary corporate governance documents, including our Corporate Governance Guidelines, Code of Ethics and all of our Board of Directors Committee Charters, are available to the public on our internet website at http://www.nvrinc.com.

Board Leadership Structure, Committee Composition and Role in Risk Oversight

Board Leadership Structure

Our Restated Articles of Incorporation state that the number of directors on our Board will be no less than seven and no more than thirteen, as established from time to time by Board resolution. Our Board has currently set the size of the Board at eleven members.

Dwight C. Schar, our chairman, leads our Board, which meets at least quarterly. In addition, our Corporate Governance Guidelines require that each year our Board name an independent lead director to chair meetings of our independent directors. The independent directors of our Board meet as a group at least annually. Non-management directors meet as a group at least twice a year. Our independent lead director position rotates annually among the Audit, Compensation, Corporate Governance and Nominating Committee chairmen. The lead director chairs any meetings held by the independent directors. John M. Toups, the Chairman of our Compensation Committee, served as our independent lead director for calendar year 2009. Robert C. Butler, the Chairman of our Corporate Governance Committee, assumed the independent lead director role for the 2010 calendar year. Effective February 4, 2009, Mr. Schar relinquished his executive officer title but remains as the Chairman of the Board. As a result, since that date, our Board is comprised solely of non-management directors. Interested parties can obtain the method to communicate with the lead director or the non-management or independent directors as a group on our website at http://www.nvrinc.com.

In June 2005, we separated the roles of the Chairman of the Board and the Chief Executive Officer. Mr. Schar continues to perform as the Chairman, and Paul C. Saville is currently the CEO. We separated the roles at that time because we believed it was a leading corporate governance best practice to reduce the concentration of power for one person performing both roles and it allowed us to strengthen our senior management team as we positioned NVR for future growth. In addition, transferring the operational day to day management functions to Mr. Saville enabled Mr. Schar to spend more time developing long term strategies, and it allowed him more time to recruit new Board of Director candidates. Those same reasons hold true today. As a result, we expect that the roles of the Chairman and the CEO will remain separated for the foreseeable future.

Board Committee Composition

Our Board has the following six committees: Audit, Compensation, Corporate Governance, Executive, Nominating, and Qualified Legal Compliance. Each committee, other than the Executive Committee, meets at least annually to review its charter. During 2009, the full Board of Directors met seven times, the Audit Committee met six times, the Compensation Committee met five times, the Nominating Committee met three times, the Corporate Governance Committee met twice, and the Qualified Legal Compliance Committee met once. The Executive Committee did not meet during 2009. Our non-management directors met twice during 2009 in executive session without the presence of management, and the independent directors met once. Each of our Board members attended at least 75% of our Board meetings and their respective Committee meetings during 2009. Further, each of our Board members and each then-standing director attended the 2009 Annual Meeting of shareholders. Our Board requires that our Board members attend each Board and Committee meeting in person. Our Board of Directors further requires that all current Board members and all nominees for election to our Board of Directors put forth in our proxy statement by our Board attend in person our annual meeting of shareholders, unless personal circumstances affecting such Board member or director nominee make such attendance impractical or inappropriate.

Board Role in Risk Oversight

Our Board provides constant oversight of our business risks and operational performance through regularly scheduled Board and Committee meetings, as well as through frequent and informal communications between management and the Board. Further, our Bylaws and each of the various Board Committee Charters (referenced above and discussed in detail below) provide additional detail regarding the areas, duties and functions for which the Board or a Board Committee provides specific oversight of specified areas of risk.

That oversight includes a variety of operational and regulatory matters, including: the approval of the annual business plan and the periodic review of our actual performance in comparison to the approved plan, approval of all short-term and long-term management incentive compensation plans, review and analysis of our operational and financial performance compared to our peer group, review of our five year business plan, review of management succession planning throughout our entire organization for key management positions, a review of our response to new laws, rules or regulations to which we are subject, direct oversight of our internal audit function and our whistleblower hotline and many other items. Following is a discussion of how the Board oversees certain of our more significant business risks:

Land Acquisition:

Our continued success is contingent upon our ability to control an adequate supply of finished lots on which to build. We expend substantial monetary resources to place deposits under lot acquisition contracts, typically ranging up to 10% of the aggregate purchase price of the finished lots. The lot acquisition policy under which management operates is a Board-approved policy. The policy requires Board pre-approval of any lot acquisition contract that is above certain parameters set by the Board, measured by the aggregate size of the deposit or investment to be made. Further, all related-party lot acquisition contracts require Board approval (see *Transactions with Related Persons* below).

Liquidity:

Being in a cyclical industry, it is imperative that we focus on our liquidity needs throughout the various stages of the cycle, while maintaining an efficient capital structure. The Board s role in ensuring that Management prudently manages its cash includes the following:

We invest our excess cash pursuant to a Board-approved policy that specifies the types of investments allowed. The primary objective of the policy is to minimize risk and to adequately provide for daily liquidity needs.

Stock repurchase programs and debt repurchases must be pre-approved by the Board.

All capital transactions for the issuance of debt or equity must be pre-approved by the Board.

The Board reviews our long-term cash needs in connection with their review of our five year business plan.

Financial Reporting, Internal Control and Regulatory Matters:

Our Audit Committee takes a lead role in overseeing a number of risks that we face as enumerated within its Charter.

Our Internal Audit function performs a primary role in risk management. Our Vice President of Internal Audit and Corporate Governance reports directly to the Audit Committee, and the Audit Committee formally approves the annual internal audit budget and staffing.

Our annual internal audit plan is reviewed with and approved by the Audit Committee. It is prepared using a comprehensive risk-based approach in the following areas: Finance and Accounting; Homebuilding Operations; Mortgage and Settlement Services Operations; Manufacturing Operations; Human Resources; Legal; and Information Technology. The entire risk matrix (which includes the major individual risks identified, each risk s rating of low, medium or high, whether the area is currently audited by internal audit, and what other risk mitigation techniques are present) is reviewed in detail with the Audit Committee.

On a quarterly basis, Internal Audit Senior Management and our external independent auditors each have a private session with the Audit Committee without the presence of Management.

Management reports to the Audit Committee the occurrence of any governmental regulatory reviews or audits conducted on any of our operations, including mortgage regulatory matters and SEC comment letters. The Audit Committee also obtains a report from Management at the conclusion of any such review.

Management reports to the Audit Committee any matter concerning a violation of our Code of Ethics or our Standards of Business Conduct.

Related Party Transactions:

Our Bylaws require that the disinterested, independent members of the Board approve any related party transaction. This has been a requirement since we incorporated in 1993.

Board Member Information

The following sets forth certain pertinent information with respect to our current directors, including the nominees listed above.

Name	**Age**	**Year First Elected or Appointed/ Term Expires**
Dwight C. Schar (3*)	68	1993/2011
C. E. Andrews (1) (5) (6)	58	2008/2011
Robert C. Butler (1) (4) (5*) (6) (**)	79	2002/2011
Timothy M. Donahue (2) (4)	61	2006/2012
Alfred E. Festa (1) (4) (6)	50	2008/2012
Manuel H. Johnson (1*) (2)(3) (6*)	61	1993/2010
William A. Moran (3)	63	1993/2012
David A. Preiser (2) (4*)	53	1993/2010
W. Grady Rosier (2) (5)	61	2008/2012
John M. Toups (2*) (3) (5)	84	1993/2010
Paul W. Whetsell (2)(5)	59	2007/2010

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Executive Committee

(4) Member of Nominating Committee

(5) Member of Corporate Governance Committee

(6) Member of Qualified Legal Compliance Committee

(*) Chairperson

(**) Independent Lead Director

Dwight C. Schar has been Chairman of the Board since September 30, 1993. Effective February 4, 2009, Mr. Schar relinquished his executive officer title with NVR, but remains the Chairman of the Board. Mr. Schar also served as the President and Chief Executive Officer of NVR from September 30, 1993 through June 30, 2005. Mr. Schar is also a director of Six Flags, Inc.

The Board believes that Mr. Schar is uniquely qualified to serve on the Board, based on his founding status with NVR, his approximately 40 years of homebuilding industry and real estate experience, his successful senior leadership experience from being a Chief Executive Officer of NVR and its predecessors, his experience on another public board, his brand marketing expertise and his expertise in managing a company within a cyclical industry.

C. E. Andrews has been a director since May 6, 2008. Mr. Andrews was named president of RSM McGladrey on June 29, 2009. Prior to that, Mr. Andrews served as the president of SLM Corporation (Sallie Mae). He joined Sallie Mae in 2003 as the executive vice president of accounting and risk management, and held the title of chief financial officer from 2006 to 2007. Prior to joining Sallie Mae, Mr. Andrews spent approximately 30 years at Arthur Andersen. He served as managing partner for Arthur Andersen s mid-Atlantic region, and was promoted to global managing partner for audit and advisory services in 2002. Mr. Andrews serves on the boards of Junior Achievement (Chair) and Six Flags, Inc., where he is the Chair of the Audit Committee. He is also a member of the Advisory Boards of the R.B. Pamplin College of Business and Accounting Department at Virginia Tech. Within the last five years, Mr. Andrews was also a member of the Board of Directors of U-Store-It Trust, where he was a member of the Audit Committee.

The Board believes that Mr. Andrews is well qualified to serve on our Board based on the varied business experience that he obtained over his thirty year career in public accounting, his financial and accounting expertise, and his experience on other public boards.

Robert C. Butler has been a director since May 1, 2002. Prior to his retirement, Mr. Butler served as Senior Vice President and Chief Financial Officer of Celgene Corporation from 1996 through 1998. Previously, Mr. Butler served as Chief Financial Officer of International Paper Co. In addition, Mr. Butler was the Chairman of the Financial Accounting Standards Advisory Council from 1997 through 2001. Mr. Butler is a director of Studio One Networks, Inc. and Hanley and Associates, a privately held investor relations company. He also serves on the Board of Trustees of COPE Center, Inc. and the Montclair Foundation, both being non-profit social services agencies in New Jersey.

The Board believes that Mr. Butler is highly qualified to serve on our Board due to the accounting and financial reporting expertise gained from his involvement with the Financial Accounting Standards Advisory Council, his financial expertise while operating as a chief financial officer of several large companies, his manufacturing experience, and his other board experience.

Timothy M. Donahue has been a director since January 1, 2006. Prior to his retirement, Mr. Donahue was Executive Chairman of Sprint Nextel Corporation from August 2005 to December 2006. He previously served as president and chief executive officer of Nextel Communications, Inc. He began his career with Nextel in January 1996 as president and chief operating officer. Before joining Nextel, Mr. Donahue served as northeast regional president for AT&T Wireless Services operations from 1991 to 1996. Prior to that, he served as president for McCaw Cellular s paging division in 1986 and was named McCaw s president for the U.S. central region in 1989. He is also a director of Eastman Kodak, Covidien Limited, and Tyco International LTD. Within the last five years, Mr. Donahue had also served as the Executive Chairman of Sprint Nextel Corporation.

The Board considered Mr. Donahue s senior leadership experience from being a Chief Executive Officer of a publicly-traded company, his operational expertise in providing global strategic vision to the overall operating entity, his experience serving on other public boards, and his brand marketing expertise in concluding that Mr. Donahue is highly qualified to serve as one of our directors.

Alfred E. Festa was appointed to our Board effective December 1, 2008. Mr. Festa is Chairman, President and Chief Executive Officer of W. R. Grace & Co (Grace). He joined Grace as president and chief operating officer in November 2003, assumed the CEO role in June 2005, and became Chairman of the Board of Grace on January 1, 2008. From November 2002 until November 2003, Mr. Festa was a partner in Morgenthaler Private Equity Partners (Morgenthaler), a venture/buy out firm focused on mid-market industrial build-ups.

The Board believes that Mr. Festa is well-suited to serve on our Board based on his experience of managing Grace during different business cycles, his senior leadership experience as a Chief Executive Officer of a publicly-traded company and his role setting global strategic vision for the entire organization, his business development and mergers and acquisitions experience from his work at Morgenthaler, and his experience serving on another public board.

Manuel H. Johnson has been a director since September 30, 1993. Dr. Johnson has been co-chairman and senior partner in Johnson Smick International, Inc., an international financial policy-consulting firm, since 1990. From August 1, 1997 until December 2003, Dr. Johnson was the chairman of the Board of Trustees and president of the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board. Also during 1997, Dr. Johnson was named a member of the Independence Standards Board (which was dissolved on July 31, 2001), formed jointly by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Dr. Johnson is a founder and co-chairman of the Group of Seven Council, an international commission supporting economic cooperation among the major industrial nations. He is a director of Morgan Stanley Funds and Evergreen Energy, Inc (formerly KFX, Inc.). Within the last five years, Mr. Johnson was also a member of the Board of Directors of Greenwich Capital Markets, Inc.

The Board believes that Mr. Johnson is well-qualified to serve on our board based on his financial and macroeconomic expertise, his knowledge of governmental and financial regulatory matters, his ability to access multiple high level information channels in the public and private sectors, his public board experience, and his lengthy experience as one of our directors.

William A. Moran has been a director since September 30, 1993. Mr. Moran has been the chairman of Elm Street Development, Inc. (Elm Street) since 1996. Until January 1, 2010, Mr. Moran was a director of Craftmark, Inc., a homebuilder in Virginia, Maryland, Pennsylvania and Delaware and Craftstar, Inc., which develops, invests in and periodically sells apartments, condominiums, single family homes and townhomes in Virginia and Maryland. Mr. Moran is also a director of ESD, Inc.

The Board considered Mr. Moran s lengthy homebuilding, real estate and land development experience, his senior leadership experience from being a Chief Executive Officer, his operational expertise and his expertise in managing a company within a cyclical industry in concluding that Mr. Moran is highly qualified to serve as one of our directors.

David A. Preiser has been a director since September 30, 1993. Mr. Preiser has been a senior managing director and a member of the Board of Directors (now an advisory member) of the investment banking firm of Houlihan Lokey Howard & Zukin (Houlihan Lokey) since 2001. Prior to that date, Mr. Preiser was a managing director of Houlihan Lokey. Since January 1, 2005, Mr. Preiser has served as Chairman of Houlihan Lokey Howard and Zukin Europe, pursuant to which he leads Houlihan Lokey s European investment banking activities, with a particular focus on Houlihan Lokey s European restructuring business. Mr. Preiser is also active in Houlihan Lokey s restructuring activities in the United States. From 1990, Mr. Preiser had been active in coordinating Houlihan Lokey s real estate and financial restructuring activities as a senior managing director. Mr. Preiser is also a director of AIT Holding Company, LLC. Within the last five years, Mr. Preiser was also a member of the Board of Directors of Jos. A. Banks Clothiers, Inc.; Akrion, Inc.; Tremesis Energy Investment Company; and Collective Licensing International, LLC.

The Board believes that Mr. Preiser is well-suited to serve as one of our directors based on his expertise of managing workouts of distressed companies, his senior leadership experience of setting global strategic vision for an organization, his financial expertise from working in the investment banking field, his knowledge of capital markets, his business development and mergers and acquisitions experience, his experience sitting on other public boards, and his lengthy experience as one of our directors during different points in our business cycle.

W. Grady Rosier was appointed to our Board effective December 1, 2008. Mr. Rosier has been the president and CEO of McLane Company, Inc. (McLane), a supply chain services company, since 1995. Prior to that date, Mr. Rosier has held various senior management roles since joining McLane in 1984. Mr. Rosier is the lead director of Tandy Brands Accessories, Inc. Within the last five years, Mr. Rosier was also a director of Evergreen Energy, Inc.

The Board believes that Mr. Rosier is highly qualified to serve as one of our directors because of his senior leadership experience from being a Chief Executive Officer, his other public board experience, and his operational expertise of being responsible for setting global strategic vision for an entire organization.

John M. Toups has been a director since September 30, 1993. Prior to his retirement, Mr. Toups held various management positions with Planning Research Corporation from 1970 through 1987, for which he was chief executive officer from 1978 to 1987 and chairman from 1982 to 1987. He is also a director of Halifax Corporation, GTSI, Inc., Dewberry & Davis, and Willdan Group, Inc. Within the last five years, Mr. Toups also served as a member of the Board of Directors for Dinte Resources.

The Board considered Mr. Toup s senior leadership experience from being a Chief Executive Officer of a publicly-traded company, his public board experience, and his lengthy experience as one of our directors in concluding that Mr. Toups is highly qualified to serve as one of our directors.

Paul W. Whetsell has been a director since March 1, 2007. Mr. Whetsell has been the president and chief executive officer of Capstar Hotel Company since 2006. From August 1998 until May 2006, Mr. Whetsell served as the chairman and chief executive officer of Meristar Hospitality Corporation, and as the Chairman of Interstate Hotels and Resorts, Inc. (Interstate) from August 1998 until March 2009. From August 1998 until October 2003, he also served as the chief executive officer of Interstate and its predecessor. He also serves on the Board of Trustees of the Cystic Fibrosis Foundation, and is a member of that Board s Audit Committee.

The Board considered Mr. Whetsell s senior leadership experience from being a Chief Executive Officer of a publicly-traded company, his public board service experience, his operational expertise, his real estate experience, and his brand marketing expertise in concluding that Mr. Whetsell is highly qualified to serve as one of our directors.

Board Independence

Our Board has established Director independence standards to assist us in determining director independence, the standards of which meet the independence requirements of the New York Stock Exchange s (NYSE) corporate governance listing standards (our common stock is listed on the NYSE). Our independence standards are included within our Corporate Governance Guidelines, which are available on our website at http://www.nvrinc.com. Our Board considers all relevant facts and circumstances in making an independence determination. As required by the rules of the NYSE, to be considered independent under our independence standards, a director must be determined, by a resolution of our Board, to have no material relationship with us (other than as a director) directly or indirectly.

Our Board has affirmatively determined that Mssrs. Andrews, Butler, Donahue, Festa, Johnson, Preiser, Rosier, Toups, and Whetsell are independent pursuant to our independence standards and have no material relationship with us that would affect their independence. Mr. Schar, our Chairman, and Mr. Moran, an existing director who controls a company from which we acquire a small portion of our finished lots upon which to build our homes, have been determined by our Board not to be independent.

When our Board analyzed the independence of its members, it considered two transactions that it deemed immaterial to the independence of the director involved based on the amounts involved and the ordinary course business nature of the transactions:

Mr. Toups is a director of Dewberry & Davis (Dewberry), a privately held professional services firm that provides engineering, surveying and environmental sciences services. Previously, the independent, disinterested members of our Board authorized us to obtain services in the ordinary course of business from Dewberry, the services of which included engineering and surveying of certain finished lots upon which we build our homes. In 2009, we paid Dewberry $87,979 for such services. The Board concluded that NVR s relationship with Dewberry does not affect the independence of Mr. Toups because his position as a director of Dewberry does not enable him to derive any benefit from the relationship.

Mr. Donahue is a director of Tyco International LTD. (Tyco), a publicly traded company that wholly owns certain home security and fire protection systems and services companies. Previously, the independent, disinterested members of our Board authorized us to obtain services in the ordinary course of business from Tyco for model home security monitoring systems as well as built-in security and fire protection systems within homes sold to customers. In 2009, we paid Tyco $3,717 for such services. The Board concluded that NVR s relationship with Tyco does not affect the independence of Mr. Donahue because his position as a director of Tyco does not enable him to derive any benefit from the relationship.

Board Committees

Audit Committee

We have a separately designated standing Audit Committee comprised of four members, each of whom satisfies the independence standards specified above and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (1934 Act). All current members of our Audit Committee are financially literate and are able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. Our Board has determined that Manuel H. Johnson, our current Audit Committee Chairman, qualifies as an audit committee financial expert as defined within Item 407(d)(5) of Regulation S-K under the 1934 Act. This designation does not impose on Mr. Johnson any duties, obligations or liability that are any greater than are generally imposed on him as a member of our Audit Committee and our Board, and his designation as an audit committee financial expert pursuant to this Securities and Exchange Commission (SEC) requirement does not affect the duties, obligations or liability of any other member of our Audit Committee or our Board.

Our Audit Committee operates pursuant to a charter adopted by our Board that is available at http://www.nvrinc.com. As enumerated in the Charter, our Audit Committee was established to assist our Board s oversight of (1) the integrity of our accounting and financial reporting processes, (2) our compliance with legal and regulatory requirements, (3) our independent external auditor s qualifications and independence, and (4) the performance of our internal audit function and of our independent external auditors. Among other things, our Audit Committee prepares the Audit Committee Report for inclusion in our proxy statement; annually reviews our Audit Committee Charter and the Audit Committee s performance; appoints, evaluates and determines the compensation of our independent external auditors; maintains written procedures for the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters, as well as for the confidential, anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters; reviews substantiated complaints received from internal and external sources regarding accounting, internal accounting controls or auditing matters; oversees our internal audit department, and reviews reports from management regarding significant accounting, internal accounting controls, auditing, legal and regulatory matters. Our Audit Committee has the authority and available funding to engage any independent legal counsel and any accounting or other expert advisors, as our Audit Committee deems necessary to carry out its duties.

Compensation Committee

We have a separately designated standing Compensation Committee comprised of six members, each of whom satisfies our independence standards specified above. Our Compensation Committee operates pursuant to a charter adopted by our Board that is available at http://www.nvrinc.com.

Description of Duties

Among other things, our Compensation Committee (1) reviews and determines all compensation of our Chief Executive Officer (CEO) and, based in part on the recommendation of the CEO, of all of our other executive officers; (2) periodically reviews and makes recommendations to the Board with respect to the compensation of our directors; (3) administers and interprets incentive compensation and equity plans for our employees (except as otherwise described below); (4) assists in preparing the Compensation Discussion and Analysis and prepares our Compensation Committee Report for inclusion in our annual meeting proxy statement in accordance with applicable rules and regulations of the SEC; (5) makes recommendations to our Board about succession planning for our CEO, and in conjunction with the CEO, also considers succession planning for other of our key positions; (6) reviews and approves any employment agreements, or amendments thereto, with our CEO and other applicable executive officers; and (7) annually reviews our Compensation Committee Charter and the Compensation Committee s performance.

The Compensation Committee charter provides that the Committee may delegate its authority to one or more members of the Committee. Any person to whom authority is delegated must report any actions taken by him or her to the full Committee at its next regularly scheduled meeting. During 2009, the Compensation Committee did not delegate any of its authority to any individual member(s) of the Committee.

The Committee s charter also provides that the Compensation Committee may delegate to a senior executive officer of NVR the authority to grant options to non-executive employees, within limits prescribed by the full Board of Directors. Any options granted by a senior executive officer pursuant to delegated authority must be reported to the Compensation Committee at its next regularly scheduled meeting. Our Compensation Committee, by resolution, delegated authority to Mr. Saville, acting jointly with the Senior Vice President of Human Resources, to grant options to new and existing employees below the executive officer rank during 2009. The Senior Vice President of Human Resources was required to report any options granted pursuant to this delegated authority to the Compensation Committee at their next scheduled meeting after the delegated authority was exercised. We do not have a program, plan or practice in place to grant options in coordination with the release of material non-public information.

For a discussion of the role of Mr. Saville in recommending the amount or form of compensation paid to our named executive officers during 2009, see the Compensation Discussion and Analysis below.

Compensation Consultants

Pursuant to its charter, the Compensation Committee has the sole authority and available funding to obtain advice and assistance from compensation consultants, as well as internal or outside legal, accounting or other expert advisors, that it determines necessary to carry out its duties. Periodically the Compensation Committee engages compensation consultants to provide advice regarding executive officer compensation on an as needed basis. In 2009, the Compensation Committee engaged Hewitt Associates to assist us in formulating the terms and structure of a long term incentive plan for adoption in 2010, which included an analysis of the base pay, annual incentive opportunities and long-term incentive compensation awarded to our named executive officers as compared to a peer group, as well as a Board compensation analysis. Hewitt does not perform any other services for us.

Compensation Committee Interlocks and Insider Participation

During 2009, our compensation committee was comprised of Mr. Toups, Mr. Donahue, Mr. Johnson, Mr. Preiser, Mr. Rosier and Mr. Whetsell, all of who are independent directors. None of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or our Compensation Committee; accordingly, there were no interlocks with other companies within the meaning of the SEC s proxy rules during 2009.

Nominating Committee

We have a separately designated standing Nominating Committee comprised of four members, each of whom satisfies our independence standards specified above. The Nominating Committee operates pursuant to a charter adopted by the Board that is available at http://www.nvrinc.com.

Among other things, the Nominating Committee (1) identifies individuals qualified to become Board members; (2) recommends that our Board select the director nominees for the next annual meeting of shareholders; (3) recommends to our Board names of individuals to fill any vacancies on our Board that arise between annual meetings of shareholders; (4) considers from time to time our Board committee structure and makeup; and (5) annually reviews our Nominating Committee Charter and the Nominating Committee s performance. Our Nominating Committee also has the sole authority and appropriate funding to obtain advice and assistance from executive search firms, and internal or outside legal, accounting or other expert advisors that it determines necessary to carry out its duties.

Attached as Appendix A are our Policies and Procedures for the Consideration of Board of Directors Candidates, including nominations submitted by our security holders. This material is also available at http://www.nvrinc.com. These policies and procedures include minimum qualifications for director nominees and the process for identifying and evaluating director nominees. Our Nominating Committee has a stated goal of identifying well-qualified director candidates that would enhance the Board s diversity. In searching for potential director candidates, the Nominating Committee first seeks the most qualified candidates with a record of success. The Committee also searches for candidates that promote diversity of views, backgrounds, experience and skills to the Board.

Corporate Governance Committee

We have a separately designated standing Corporate Governance Committee comprised of five members, each of whom satisfies our independence standards specified above. The Corporate Governance Committee operates pursuant to a charter adopted by our Board that is available at http://www.nvrinc.com. Our Corporate Governance Guidelines are also available at http://www.nvrinc.com.

Among other things, the Corporate Governance Committee (1) develops and recommends to our Board a set of corporate governance principles; (2) annually reviews and assesses the adequacy of our Corporate Governance Guidelines, including ensuring that they reflect best practices where appropriate; (3) manages the Board s annual self-evaluation process, and (4) annually reviews our Corporate Governance Committee Charter and the Corporate Governance Committee s performance. Our Corporate Governance Committee must obtain Board approval for funding to obtain advice and assistance from internal or outside legal, accounting or other expert advisors that it determines necessary to carry out its duties.

Qualified Legal Compliance Committee

Our Qualified Legal Compliance Committee (QLCC) is a separately designated standing committee, currently consisting of all of the members of our Audit Committee. It was established to assist our Board in fulfilling its responsibilities relating to oversight of legal compliance by our employees and us and to meet the requirements for a qualified legal compliance committee under Part 205 of the rules of the SEC (the Part 205 Rules). The composition of the QLCC is intended to comply with all independence requirements under the Part 205 Rules. Our QLCC operates pursuant to a charter adopted by our Board and is available at http://www.nvrinc.com. Our QLCC annually reviews the QLCC Charter and the QLCC s performance.

Our QLCC has adopted written procedures for the confidential receipt, retention and consideration of any report of evidence of a material violation of securities laws or material breach of fiduciary duty or similar material violation by us, or our directors, officers, employees or agents (Material Violation) under the Part 205 Rules, and has the authority and responsibility (1) to inform our chief legal officer (CLO), CEO and chief financial officer (CFO) of any report of evidence of a Material Violation; (2) to determine whether an investigation is necessary regarding any report of evidence of a Material Violation and; (3) if our QLCC determines an investigation is necessary or appropriate, initiate such investigation; (4) to obtain a written report from our CLO or outside counsel conducting any such investigation at the investigation s conclusion; (5) to recommend, by majority vote, that we implement an appropriate response to evidence of a Material Violation and inform our Board, CEO, CLO and CFO of the results of any such investigation and the appropriate remedial measures to be adopted; and (6) acting by majority vote, to take all other appropriate action, including the authority to notify the SEC in the event that we fail in any material respect to implement an appropriate response that our QLCC has recommended that we take. Our QLCC has the authority and available funding to engage any independent legal counsel, accounting or other expert advisors as our QLCC deems necessary to carry out its duties.

Executive Committee

Our Executive Committee was established pursuant to our Bylaws to have such powers, authority and responsibilities as may be determined by a majority of our Board of Directors. Our Executive Committee has never met, nor has our Board ever delegated any powers, authority or responsibilities to the Executive Committee. Our Board of Directors intends to continue the practice of considering corporate matters outside the scope of our other existing Board committees at the full Board level.

Security Holder Communications with the Board of Directors

Our Policies and Procedures Regarding Security Holder Communications with the NVR, Inc. Board of Directors are available at http://www.nvrinc.com. This same policy is applicable to any interested party wanting to communicate with the non-management directors or Mr. Butler, who is the lead independent director for 2010 meetings of our independent directors.

Transactions With Related Persons

During the year ended December 31, 2009, we entered into new forward lot purchase agreements to purchase finished building lots for a total purchase price of approximately $70,600,000 with Elm Street Development, Inc. (Elm Street), which is controlled by one of our directors, Mr. Moran. The independent members of our Board approved these transactions, and we expect to purchase these finished lots over the next four years at the contract prices. During 2009, NVR also purchased 354 developed lots at market prices from Elm Street for approximately $46,700,000, and forfeited an additional $2,460,000 of deposits to restructure four forward lot purchase agreements to obtain reduced purchase prices for finished lots under the agreements. NVR and Elm Street also entered into a joint venture arrangement in 2009 to acquire control of a parcel of raw ground that is estimated to yield at least 600 finished lots. NVR invested $8,000,000 in the joint venture, and has no obligation to contribute any further capital into the entity.

During 2009, William J. Inman, the president of the mortgage company, was the co-borrower on a $135,000 mortgage loan issued by NVR Mortgage Finance, Inc., in the ordinary course of its business, to one of Mr. Inman s relatives. The terms of the mortgage loan were no less favorable to us than those that would have been issued to an unrelated third party, and our independent Directors approved the loan.

Procedures for Approval of Related Person Transactions

All related person transactions affecting us that are potentially disclosable under Item 404(a) of Regulation S-K must be considered, reviewed and approved or ratified by the disinterested, independent directors of our Board, regardless of the type of transaction or amount involved. This requirement is contained within various written documents, including Section 7.05 of our Bylaws (available on our website at http://www.nvrinc.com), Sections 1 and 4 of our Code of Ethics (available on our website at http://www.nvrinc.com), and our internal Standards of Business Conduct, Human Resource and Financial Policies and Procedures.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth certain information as to the beneficial ownership of Common Stock by each person known by us to be the beneficial owner of more than 5% of the outstanding Common Stock as of the dates indicated, and each director, director nominee and executive officer and by all directors and executive officers as a group as of March 5, 2010. Except as otherwise indicated, all shares are owned directly and the owner has sole voting and investment power with respect thereto.

Certain Beneficial Owners

Name and Address of Holder	Number of Shares	Percent of Class
BlackRock Inc. 40 East 52nd Street New York, NY 10022	714,965 (1)	11.7%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	337,000 (2)	5.5%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	442,869(3)	7.2%
AXA Assurances I.A.R.D. Mutuelle, and AXA Assurances VIE Mutuelle 26, Rue Drout 75009 Paris, france	630,391(4)	10.3%

(1) Of the shares that were reported within a Schedule 13G filed January 8, 2010, the entity has sole power to vote or direct the vote and the sole power to dispose or direct the disposition of all of the shares reported.

(2) Of the shares that were reported within a Schedule 13G filed February 10, 2010, the entity has sole power to vote 52,000 shares and sole power to dispose or direct the disposition of 337,000 shares.

(3) Of the shares that were reported within a Schedule 13G filed February 12, 2010, the entity has shared power to vote 376,632 shares and shared power to dispose or direct the disposition of 439,831 shares.

(4) Of the shares that were reported within a Schedule 13G filed February 12, 2010, the entity has sole power to vote 509,244 shares and sole power to dispose or direct the disposition of 630,391 shares.

Directors and Management

Name	Number of Shares	Percent of Class
Dwight C. Schar	60,000	*
C. E. Andrews	317	*
Robert C. Butler	9,950(1)	*
Timothy M. Donahue	400	*
Alfred E. Festa	194	*
Manuel H. Johnson	27,465(2)	*
William A. Moran	28,125	*
David A. Preiser	9,050(3)	*
W. Grady Rosier	300	*
John M. Toups	25,192(4)	*
Paul W. Whetsell	265	*
William J. Inman	91,403(5)	1.5%
Paul C. Saville	243,550(6)	3.9%
Dennis M. Seremet	58,542(7)	*
Robert W. Henley	3,059(8)	*
All directors, director nominees and executive officers as a group (15 persons)	557,812	8.8%

* Less than 1%.

(1) Includes 9,500 vested options issued under the NVR, Inc. 1998 Directors Long Term Stock Option Plan and 150 shares held in a Charitable Remainder Trust.

(2) Includes 17,000 vested options issued under the NVR, Inc. 2000 Broad-Based Stock Option Plan and 65 shares owned by his son.

(3) Includes 8,000 vested options issued under the

NVR, Inc. 2000 Broad-Based Stock Option Plan.

(4) Includes 17,000 vested options issued under the NVR, Inc. 2000 Broad-Based Stock Option Plan and 43 shares owned by his wife.

(5) Includes 86,384 vested shares held in a Deferred Compensation Rabbi Trust, 816 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust, and 22 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan.

(6) Includes 120,000 vested options issued under the NVR, Inc. 2000 Broad-Based Stock Option Plan, 3,168 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust, 4,389 shares held as a discretionary investment in

the NVR, Inc. Profit Sharing Plan, and 105,883 vested shares held in a Deferred Compensation Rabbi Trust. Excludes 777 shares held in a Deferred Compensation Plan which are not distributable until six months subsequent to separation of service.

(7) Includes 12,500 vested options issued under the NVR, Inc. 2000 Broad-Based Stock Option Plan, 3,050 vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust, 2,115 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan and 40,527 vested shares held in a Deferred Compensation Rabbi Trust.

(8) Includes 1,750 vested options issued under the NVR, Inc. 2000 Broad-Based Stock Option Plan, 1,061

vested shares held by the NVR, Inc. Employee Stock Ownership Plan in trust and 248 shares held as a discretionary investment in the NVR, Inc. Profit Sharing Plan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires our directors and executive officers and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership of such stock with the SEC and the national securities exchange upon which our shares are publicly traded. Directors, executive officers and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all such forms filed. To our knowledge, based solely on a review of the copies of such reports furnished to us during 2009 and written representations that no other reports were required, all directors, executive officers and greater than 10% shareholders complied with all applicable Section 16(a) filing requirements.

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE SHALL NOT BE DEEMED TO BE SOLICITING MATERIAL OR TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934 OR INCORPORATED BY REFERENCE IN ANY DOCUMENT SO FILED.

Report of the Audit Committee

NVR s Audit Committee is solely comprised of independent directors as defined by our independence standards (see above) and in the applicable SEC rules, and operates pursuant to a charter adopted by our Board, which is available at http://www.nvrinc.com.

Our management has primary responsibility for preparing our financial statements and establishing financial reporting systems and internal controls. Management also has the responsibility of reporting on the effectiveness of our internal controls over financial reporting. Our independent external auditor, KPMG LLP, is responsible for expressing opinions on the conformity of our audited financial statements with accounting principles generally accepted in the United States of America and on the effectiveness of our internal control over financial reporting. In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements and management s assessment of the effectiveness of our internal controls over financial reporting with management, and reviewed and discussed KPMG LLP s audit opinions with KPMG LLP;
2. The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards (SAS) 61 (*Codification of Statements on Auditing Standards, AU 380*), SAS 99 (*Consideration of Fraud in a Financial Statement Audit*) and SEC rules discussed in Final Releases 33-8183 and 33-8183a;
3. The Audit Committee has received the written disclosures and the letter from KPMG LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP s independence relative to NVR; and
4. Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the SEC.

The undersigned, constituting all of the members of the Audit Committee, have submitted this report to the Board of Directors.

Manuel H. Johnson (Chairman), C.E. Andrews, Robert C. Butler, and Alfred E. Festa

COMPENSATION DISCUSSION AND ANALYSIS

General Compensation Philosophy and Objectives

Our philosophy for compensating our named executive officers is to place significant focus on, and reward achievement of, long-term objectives, which we believe is essential considering the cyclical nature of the industry in which we operate. Residential real estate projects often take a substantial period of time to mature. A typical community in which we sell and build homes may take anywhere from one year to five years to build out completely. For us to be successful, it is necessary for us to acquire control of land upon which to build our homes from land developers several years in advance of our sales and construction activities. The homebuilding industry is cyclical and exhibits peaks and troughs over a long-term period. Because we need to effectively manage our business over these lengthy time periods and during different stages of the homebuilding cycle and economic cycles, we believe that the majority of our named executive officers compensation should be based on accomplishing our long-term plans and objectives, and not on short-term quarterly or annual measures. We do this by limiting short-term cash compensation opportunities and emphasizing long-term earning opportunities through ownership of our common stock. Specifically, we have historically:

- paid cash compensation to our named executive officers based on their positions, and in amounts that we believe to be lower than comparable positions in other publicly traded companies within our industry;

- capped the annual cash bonus opportunity of our named executive officers at 100% of their base salary, and have not provided any opportunity to exceed that amount for short-term quarterly or annual performance in excess of our business plan (for 2009, the maximum cap was reduced to 50% as a cost savings measure); and

- issued our named executive officers periodic (though not annual) grants of fixed-price stock options that vest over a long period of time. Historically, we have layered our option grants such that each named executive officer has one grant that is actively vesting over a four-year period and another grant that will begin vesting in the following four to five year period.

A long-term equity interest in our company by our named executive officers is the major thrust of our philosophy. We believe that providing the majority of their compensation in the form of fixed price stock options with a long-term vesting schedule is an effective way to retain their services, and the services of all of our other management employees compensated in the same manner, over a long-term period. Additionally, each stock option agreement contains non-compete provisions that protect our interests. Retention of our experienced management team, which includes our named executive officers, has been and will continue to be one of our key strategic goals in managing our business.

To encourage further equity ownership, we give each of our named executive officers, at his choice, the opportunity to defer salary and any earned annual bonus awards into our deferred compensation plan. All deferred amounts must be invested solely in our common stock and are paid out only after separation of service. We also require our named executive officers to own continuously common stock with a market value of four to eight times their respective base salaries (see the *Deferred Compensation Plan and Stock Holding Requirement* discussions below, respectively).We believe that fostering a long-term focus through equity compensation and ownership effectively aligns our named executive officers interest with those of our shareholders.

Current Year Overview

As stated above, the homebuilding industry is cyclical. In 2009, NVR, like other U.S. homebuilders, experienced a continuation of the severe downturn in the U.S. housing market and the overall economy that began in the latter half of 2005. As such, we have engaged in a relentless effort to control the costs of running our business. We continued to build on cost reduction savings in 2009, which to date have encompassed closing operating divisions, reducing over 50% of our workforce and eliminating or modifying certain employee benefits. Our efforts to control compensation costs have spanned all levels within our organization, including impacts to our named executive officers. Those impacts include:

- Mr. Schar relinquished his executive officer title effective February 4, 2009, and is no longer an employee of NVR. He remains as the Chairman of the Board. Prior to making that decision, in November 2008, Mr. Schar had again voluntarily amended his employment agreement to reduce his 2009 salary and bonus opportunity to $0 for the third consecutive year as a cost savings measure;

- At Mr. Saville s request, the Compensation Committee froze his base salary at its 2006 level for the third consecutive year as a cost savings measure, despite his leadership during a period in which NVR has significantly outperformed the industry;

- Mssrs. Inman s, Seremet s and Henley s 2009 salaries were also frozen at their 2008 levels; and

- The maximum annual incentive opportunity for the named executive officers was reduced from 100% of base salary to 50%.

These actions were taken despite NVR s industry leading performance through this economic downturn to ensure that our cost structure would enable us to be profitable with the lower revenue levels that we are experiencing. NVR has continued to operate profitably, distinguishing itself as the only public homebuilder to remain profitable at this point in the cycle. Our industry leadership has been present throughout the downturn. We were the only homebuilder of the 12 homebuilders on a national level to operate profitably for the 2009 and 2008 fiscal years, and for 2007, we were one of only three profitable homebuilders among the top 12. Although the Compensation Committee believes management compensation is at the low end of the industry, the Committee agreed with management s recommendation to continue to control compensation costs in light of our substantially reduced activity and net income levels, and our lower stock price and resulting shareholder returns.

Compensation Determination Process

As a general matter, Mr. Saville and our Senior Vice President of Human Resources make recommendations to the Compensation Committee with respect to the amount of each element of compensation paid to each named executive officer, other than Mr. Saville. These recommendations are partially based on salary information for comparable positions at other large, publicly traded homebuilding and mortgage companies, as well as Mr. Saville s subjective assessment of each officer s overall performance during the prior year. The Committee reviews this same salary information, as well as comparative financial measures (our financial and operating performance compared to information publicly-available on our industry peers) and our overall financial strength for purposes of determining the compensation paid to Mr. Saville. Our Compensation Committee, which is comprised solely of independent members of the Board, has the final authority to determine the compensation of our named executive officers, and exercises such authority regardless of what recommendations are made or information that they are provided by management.

In December 2007 and again in December 2009, the Compensation Committee engaged Hewitt Consulting to assist the Committee in formulating long term incentive plan strategies for certain of our employees, including our named executive officers. Hewitt s analysis included a comparative analysis of the named executive officer base pay, annual incentive opportunities and long-term incentive compensation. To formulate the peer group data, Hewitt reviewed publicly available information from: Beazer Homes USA, Inc., Centex Corporation, D. R. Horton, Inc., Hovnanian Enterprises, Inc., KB Home, Lennar Corporation, MDC Holdings, Meritage Homes Corporation, Pulte Corporation, Standard Pacific Corporation, The Ryland Group, Toll Brothers, Inc., and WCI Communities, based on publicly available data.

Elements of Compensation

Base Salary

The following actions were taken by the Compensation Committee relative to the named executive officers base salary for 2009 to aid our cost reduction efforts discussed above:

As noted above, Mr. Schar relinquished his executive officer title effective February 4, 2009, and is no longer an employee of NVR. He remains as the Chairman of the Board. Prior to making that decision, in November 2008, for the third consecutive year, Mr. Schar voluntarily amended his employment agreement to reduce his 2009 salary and bonus opportunity to $0 as a cost savings measure. Upon the request of Mr. Schar, the Compensation Committee agreed to amend Mr. Schar s employment agreement to reduce his 2009 salary and bonus opportunity to $0.

Mr. Saville requested that the Committee freeze his salary at its 2006 level for the third consecutive year. The Committee granted this request, despite our industry leading financial performance during the downturn and the fact that Mr. Saville s base salary is below the 50th percentile of other CEO s in the Hewitt study peer group. Mr. Saville s salary was frozen in 2010 at that same level as well.

Mr. Saville recommended to the Committee that the salaries of Mssrs. Seremet, Henley and Inman be frozen at 2008 levels as a cost savings measure. The Committee approved that request. At this frozen level, Mr. Seremet s and Mr. Henley s salaries remained below the 50th percentile of comparable positions at the peer companies included in the Hewitt studies, and Mr. Inman s annual base salary was slightly above the 50th percentile. For 2010, the salaries of Mssrs. Inman and Seremet remain frozen at 2008 levels. Mr. Henley s salary was increased by $11,000 to $231,000.

Annual Cash Bonus

General

The objective of the annual cash bonus portion of the total compensation package is to focus each of the named executive officers on the attainment of annual goals necessary to achieve our five-year business plan. These annual goals are consistent with the current year s portion of our five-year business plan. The named executive officers annual incentive opportunity has historically been capped at 100% of their base salary because of our overall compensation philosophy of limiting short-term cash compensation in favor of equity-based long-term incentive opportunities. The cap is earned once the preset performance target and attainment ranges based on the annual business plan are attained. Consistent with our cost reduction efforts, for 2009 the cap was set at 50% of base salary. The annual bonus is payable in cash, and may be deferred at the election of the named executive officer. See the *Deferred Compensation Plan*s discussion below.

The Compensation Committee has never exercised discretion in awarding bonuses in amounts higher from the amount calculated by our actual results relative to the preset performance target and attainment ranges. As discussed in our Proxy Statement last year, in 2008, for the first time ever, the Committee exercised negative discretion to reduce the amount of the annual bonus by agreeing to follow Mr. Saville s recommendation to eliminate the annual incentive earned by the named executive officers. Mr. Saville s request to eliminate the named executive officers 2008 earned annual incentive was based on our cost control objectives.

2009 Annual Bonus

For 2009, the Compensation Committee maintained the same annual bonus performance metrics used in 2008 for our named executive officers, with the exception of Mr. Inman. Unlike in 2008 when Mr. Inman s bonus opportunity was based on 1) our mortgage banking operations pre-tax profit (before annual bonus expense, stock-based compensation expense and certain corporate overhead cost allocations), 2) the return on invested capital in the mortgage operations and 3) on our new orders (net of cancellations), for 2009, Mr. Inman s bonus opportunity was based on the same metrics as Mssrs. Saville, Seremet and Henley to emphasize that our captured mortgage business, for which Mr. Inman serves as President, is an integral component of the success of our core homebuilding business. The annual bonus opportunity in 2009 for Mr. Saville, Mr. Inman, Mr. Seremet and Mr. Henley was based 80% upon our consolidated pre-tax profit (before consolidated annual bonus and stock-based compensation expense but after all other charges) and 20% based on the number of new orders (net of cancellations) that we generated compared to our 2009 annual business plan. Mssrs. Saville, Inman, Seremet and Henley were to begin earning the consolidated pre-tax profit portion of their annual bonus award once the annual business plan was at least 80% attained (the threshold). The full amount of the consolidated pre-tax profit portion of their annual bonus award was to be earned ratably from 80% up to 100% achievement of the annual business plan. Mssrs. Saville, Inman, Seremet and Henley were to begin earning the new orders unit portion of their annual bonus award once the annual business plan was at least 85% attained. The full amount of the new orders unit portion of their annual bonus award was to be earned ratably from 85% up to 100% achievement of the annual business plan.

Based on our 2009 results, Mssrs. Saville, Inman, Seremet and Henley earned 100% of their maximum bonus opportunity of 50% of base salary. See the *Narrative Disclosure to Summary Compensation and Grants of Plan-Based Awards Tables* below for the actual performance targets for 2009.

2010 Annual Bonus

Our operating activity levels, net income and stock performance have increased substantially in 2009 from 2008 levels. These results led the Committee to restore the maximum bonus opportunity for 2010 to 100% of base salary from the temporary 50% maximum cap installed in 2009 as a cost savings measure. The capped feature is being maintained, thus achievement of results which exceed the business plan will not result in the payment of a bonus exceeding 100% of base salary. For 2010, we are maintaining the same annual bonus performance metrics and the relative weight assigned to each metric for the named executive officers as existed in 2009.

Fixed Price Stock Options

Prior Stock Option Plans

Historically, the potential single largest component of each named executive officer s total compensation package has been realized through the grant of fixed-price stock options, in which most of our management group participates.

We do not issue stock option grants annually. Our historical practice has been to structure equity awards to vest over a long-term period. None of the four stock option grants made to the named executive officers prior to the 2008 grant had options scheduled to vest within the first four and one-half year period from the grant date (see discussion below on 2008 option grants). The average length of time for full vesting of stock options granted under those grants was seven and one half years from the date of grant. In addition, we historically have layered our stock option grants to the executives such that there is one grant actively vesting over a four-year period, and another grant that will begin vesting in the following four to five year period. Following is a summary of the material terms of the five most recently issued stock option grants:

Term Description	1996 Plan	1998 Plan	2000 Plan	2005 Plan	2008 Grant From 2000 Plan
Exercise price	Market value on date of grant	Market value on date of grant	Market value on date of grant	Market value on date of grant	Market value on date of grant
Repricing requires shareholder approval	No	Yes	Yes	Yes	Yes
Date options were granted to named executive officers	May 30, 1996	May 26, 1999	May 3, 2001	May 26, 2005	January 3, 2008
Vesting Conditions	Continued employment at vesting dates	Continued employment at vesting dates	Continued employment at vesting dates	Attainment of EPS Target (as defined below), then continued employment at vesting dates	Continued employment at vesting date
Vesting period for named executive officers	One-third on each of December 31, 2000, 2001 and 2002	One-third on each of December 31, 2003, 2004 and 2005	One-quarter on each of December 31, 2006, 2007, 2008 and 2009	If EPS Target achieved, one-quarter on each of December 31, 2010, 2011, 2012, and 2013	December 31, 2010
Period from grant date to full vesting	Six years and seven months	Six years and seven months	Eight years and eight months	Eight years and seven months	Three years

We have consistently sought improvements in our equity compensation plans to ensure that the majority of the named executive officers potential compensation is effectively aligned with our shareholders. For example, all plans implemented after the 1996 Plan require shareholder approval to reprice options. This feature was added after we independently recognized the importance of shareholder-controlled repricing, and years before the NYSE s amended listing rules took effect in 2003 mandating shareholder approval to reprice options. No options granted under the 1996 Plan, however, have ever been repriced. For the 2000 and 2005 Plans, the period from grant date to full vesting was increased by more than two years as compared to the 1996 Plan, to almost nine years from the original grant date. We increased the full vesting time period to increase the retention value of such awards.

For the 2005 Plan, we revised our option program to require both performance and service-based vesting conditions. The performance requirement was added as a vesting condition to our stock option program to ensure that potential share dilution from stock option exercises only occurred if our performance provided a 10% compound annual growth in earnings per share over the four-year measurement period. Under this plan, no option would have become exercisable unless a performance target based on growth in diluted earnings per share (the EPS Target) was met. The EPS Target was set at a level that reflected a growth rate in diluted earnings per share of 10% per year for four years,

based on our 2004 diluted earnings per share of $66.42, amounting to aggregate EPS of $339.00 per share over the four-year period ending December 31, 2008.

However, we failed to meet the 4-year aggregate performance measure and the grants made to all plan participants, including the grants made to the named executive officers, expired unexercised on December 31, 2008. Further, because the EPS Target was a condition of the plan itself, the 2005 Plan has expired and no further stock options grants may be made under it. Had the EPS Target been attained as the first condition of vesting, the stock option grants issued under the 2005 Plan would have vested in 25% increments on December 31, 2010, 2011, 2012 and 2013 based on continued employment.

We recognized in mid-2007 that we would not attain the EPS Target based on the sharply declining market conditions we were experiencing, our results for the three year period to date, and our lowered expectations for 2008. Our Compensation Committee was also aware that the last vesting year for the options granted under the 2000 Plan was 2009, meaning that without the 2005 Plan, our named executive officers, as well as all of our key management team, would no longer be participating in a long term incentive plan past December 31, 2009.

We believe that an effective long term incentive plan, preferably an equity plan, is essential to the retention of our named executive officers and key managers, and it was particularly essential as we managed through the still challenging homebuilding market. However, in late 2007, we believed that it was unlikely that we could obtain shareholder approval of a new option plan due to the dilutive effect of our overhang, (overhang being the total outstanding stock options divided by the total outstanding shares). Given these circumstances, the Compensation Committee engaged Hewitt Associates to assist us in developing a short term solution to the absence of a long-term incentive plan for our employees. After evaluating several alternatives with Hewitt, including cash-based awards that included stock appreciation rights, the Compensation Committee decided to make new option grants to the named executive officers and other key employees using the limited number of unissued stock options remaining available under existing plans, primarily the 2000 Plan. See the *2009 Summary Compensation Table* and the *Outstanding equity Awards at December 31, 2009 Table* for further information on the specific grants made to the named executive officers in 2008.

At the time of the January 3, 2008 option grants, we would have preferred to have continued our historical layered approach of granting options such that there is one grant actively vesting over a four-year period, with another grant in a four to five year pre-vesting period (in essence, two plans outstanding at any given time). However, we did not have a sufficient number of stock options available to us under existing plans to issue competitive, retentive grants to our named executive officers and other key employees beyond 2010.

Future Equity Plan

While the termination of the 2005 Plan required us to select the short-term 2008 alternative approach that we did, entering 2009, we were still faced with having no long-term incentive plan post-December 31, 2010 for our named executive officers and other key managers. In addition to our belief that an effective long term incentive plan is essential to the long-term retention of our named executive officers and key managers, which is and always has been one of our key business strategies, we recognized that we were faced with certain immediate employee retention issues. First, as general market conditions begin to improve, we are more vulnerable than we were in 2007 and 2008 to employee turnover as our competitors begin to expand under the improved conditions. In addition, our success during the downturn has led to more of our competitors moving towards the asset lite business model that we have successfully employed, a strategy that has resulted in us being the only homebuilder to operate profitably among the nation s top 12 largest homebuilders in 2009 and 2008. This increases the risk that our competitors will attempt to hire away our key managers who are expertly versed in our asset lite model. Further, we are faced with the risk that we could lose a certain demographic segment of our key management group to retirement before succession candidates are adequately trained and experienced.

These factors led the Compensation Committee to again engage Hewitt in late 2009 to assist us in formulating a long-term solution. After careful consideration of various long-term incentive vehicles by the Compensation Committee, with Hewitt s and management s participation, we have concluded to seek approval from our shareholders for a new long-term equity incentive plan at the 2010 Annual Meeting (see *Proposal Number 4*). This option was chosen as the solution because the use of an equity-based plan:

- continues what has been a proven, successfully retentive compensation tool for us;
- is ingrained in the culture of the company, with compensation historically weighted towards long-term growth in earnings per share;
- aligns long-term compensation to the creation of long-term shareholder value;
- directly assists employees in complying with our stock holding requirements;
- provides a non-cash, fixed and determinable compensation charge; and
- provides a vehicle to which our non-compete and other restrictive employment covenants can be tied.

To combat the retention risks noted above, if approved, we are altering our historical approach and intend to issue half of the total award value in time-vested restricted share units that will vest in 2011 and 2012, and half of the award value in fixed-price stock options that will vest in 2013 and 2014. The restricted share units aid in bridging the impact caused by the termination of the 2005 Option Plan so that we can return to our preferred method of solely issuing fixed-price stock options. The Compensation Committee discussed the advisability of using a performance metric to earn the restricted share units; however, after fully vetting the matter, it was determined to be inappropriate due to the current unstable business climate. We have performed macro-level calculations to determine the 700,000 share size for which we are seeking shareholder approval, which is intended to provide grants to both current and future employees as we hire for future growth. However, we have not yet specifically set grant awards for any of the intended current participants, including for the named executive officers.

As is our practice in all facets of our business, we are acting with transparency in seeking shareholder approval of something that we consider to be of critical importance in the success of our business, and in the best interests of our shareholders. In the event that we are unable to obtain shareholder approval at the 2010 Annual Meeting for the proposed equity incentive plan, we will still be faced with the significant employee retention risk of not having an LTIP for our key management team post-December 31, 2010. It will be incumbent on us to seek to mitigate that material risk to protect the long term interests of the Company and our shareholders. Thus, in that event, we plan to seek Hewitt s assistance to develop a long-term compensation plan that will be available to us without shareholder approval, which would likely take the form of a cash-based plan. While that is clearly not our preferred course of action, we believe that a long-term incentive plan is essential to sustaining our business at this critical juncture.

Determining the Size of Equity Awards

When issuing equity grants under our equity plans, to our named executive officers (or to any employee of our company), the Compensation Committee first establishes a dollar value of the total targeted compensation to be awarded by position. After determining the salary and annual bonus components for a particular year, these amounts are subtracted from the total targeted compensation for the year to derive the fair value that we want to transfer to the executive in the form of equity awards over the vesting period. On the date of grant, we divide that total equity award fair value dollar amount by the per share fair value, calculated using the Black Scholes option pricing model, to determine the number of equity awards to award.

Although we consider this approach in determining the number of equity awards to issue to our named executive officers to be a reasoned approach using a formula that is based on a widely accepted option-pricing model, the ultimate value of the options issued only becomes clear when they are exercised. Depending on our future stock price, the stock options may wind up being worthless, or worth much more than the fair value initially estimated. As a result, we do not consider realized or realizable gains from prior stock option grants when setting new grant amounts. We do not believe that it is a fair practice to offset current compensation by realized or unrealized stock option gains several years after the grants have been issued. Our goal is that the actual gain realized on option exercise exceeds our initial estimate of fair value because gains in excess of the estimated fair value calculated on the grant date are also realized by all of our other shareholders that held our common stock over that time period. We believe that limiting potential upside on option gains does not provide an appropriate incentive for our named executive officers when focusing on long-term results, as our compensation philosophy dictates.

Stock Option Grant Practices

We do not have a program, plan or practice in place to grant options in coordination with the release of material non-public information. The timing of the January 2008 grant was predicated on our determination and announcement that the 2005 Plan was expected to terminate due to our failure to achieve the EPS Target. Our Compensation Committee has sole authority to grant options to the named executive officers, and the grant date is the date of Compensation Committee approval of the awards. We grant stock options once per month, to new employees and newly promoted employees. The grant date for these awards is the first of the month following the new hire or promotion date (or the first of the second month if the new hire or promotion occurs after the 20th day of the month).

Stock Ownership Guidelines

To complete the linkage between the interests of our senior management with our shareholders, we adopted stock ownership guidelines in 2000. These guidelines require the named executive officers (and certain other members of senior management) to acquire and continuously hold a specified minimum level of our shares for so long as we employ them in their respective positions. The Board of Directors determined the holding requirements for the named executive officers based on a review of the publicly-available stock holding policies for other publicly traded companies within our industry. Under our holding requirements, our named executive officers must acquire and hold shares with a total fair market value ranging from four- to eight-times their annual base salaries depending on position. For 2009, the holding requirements for each of the named executive officers were as follows:

Name	Base Salary	Factor	Dollar Holding Requirement
Dwight C. Schar (1)			
Paul C. Saville	$800,000	8	$6,400,000
William J. Inman	$430,000	4	$1,720,000
Dennis M. Seremet	$475,000	6	$2,850,000
Robert W. Henley	$220,000	4	$ 880,000

(1) Subsequent to February 4, 2009, the date upon which Mr. Schar relinquished his executive officer title, he has been subject to the Board stock holding requirement of $130,000.

Any named executive officer who does not meet his requirement must retain 50% of the net common stock received from option exercises until the holding requirement is attained. Net common stock received means the common stock received after the payment of the option price and the taxes withheld related to the option exercise. All of the named executive officers are currently in compliance with our stock ownership guidelines.

Personal Benefits

Our named executive officers are entitled to and eligible only for the same personal benefits for which all of our employees are eligible. We do not have programs in place to provide personal benefits for any employee. Our healthcare and other insurance programs, including the program s participation costs, are the same for all eligible employees. Our annual discretionary contribution to the NVR Employee Stock Ownership Plan, expressed as a percentage of eligible wages, and our NVR 401(k) matching contribution, is also the same for all eligible employees, subject to all applicable IRS contribution limits and formulas for plans of these types. Further, we do not offer defined benefit pension or supplemental executive retirement plans to any of our employees. For 2009, as a cost savings measure, the 401(k) match for all employees, including the named executive officers, was suspended. The 401(k) match was reinstated for 2010.

Deferred Compensation Arrangements

We have two deferred compensation plans, which we refer to as plans 1 and 2, respectively, for purposes of this discussion. We provide deferred compensation plans for three reasons: i) to encourage ownership of our common stock in furtherance of our compensation philosophy, ii) to establish a vehicle whereby named executive officers may defer the receipt of salary and bonus that otherwise would be nondeductible for company tax purposes into a period where we would realize a tax deduction for the amounts paid (see below *Tax Deductibility* discussion), and iii) to enable our named executive officers, and other members of management, to acquire shares of our common stock on a pre-tax basis in order to more quickly meet, and maintain compliance with, the stock holding requirements described above. In addition, the structure of our deferred compensation plans effectively increases the stock holding requirements for certain of our named executive officers, and places the earned compensation at-risk during the executive officer s deferral period. Plan 1, which we adopted December 15, 1999, was closed for new contributions effective December 31, 2004. The named executive officers, solely at their election, may defer 100% of any earned salary or bonus into plan 2, which we adopted December 15, 2005. Stock option gains are prohibited by law from being deferred.

The market value of a named executive officer s deferred compensation accounts is not considered when setting his other current compensation. The compensation earned and deferred was already reviewed and analyzed based on the above-described compensation philosophy and policies at the time the compensation was earned. Had the executive officer instead elected to receive a payout of the compensation earned, and then invested those amounts externally, we would have no knowledge of and would not have considered external investment experience when considering the amount by which we should compensate the executive officer. Thus, we do not believe it is either proper or necessary to consider the value of the executive officer s deferred compensation account just because it is held in a plan we sponsor and is invested in our stock. In addition, had the amounts deferred been instead paid to the applicable named executive officer when earned (and not deferred until separation of service), we would have lost a substantial tax benefit that we will now receive as a result of the deferral. See the *Nonqualified Deferred Compensation Table* and accompanying narrative below for additional information on our deferred compensation plans.

Change of Control and Severance Payments

Each of our named executive officers, other than Mr. Henley, is party to an employment agreement with us pursuant to which the officer is entitled to severance payments upon certain termination events, including termination following a change in control. Generally, we do not believe that we should pay our named executive officers, or any other employee, any incremental compensation upon termination when the termination is either by choice or due to conduct that is potentially detrimental to NVR. Thus, we do not provide any of our named executive officers any incremental severance benefits, other than any amounts already earned and accrued at the date of termination, if the termination is voluntary (unless due to a change in control of NVR or retirement), including voluntary termination upon the election or appointment of a new Chairman and/or CEO, or for Cause.

We do not provide tax gross ups to our named executive officers in connection with any change in control or severance payment.

Change of Control Provisions

Change of control provisions applicable to our named executive officers are either single trigger , meaning that the change of control event alone triggers either a payment or an acceleration of certain rights, or double trigger , meaning that the change of control coupled with the officer s termination from service within a certain period of the time after the change of control triggers a payment or accelerated right.

The change of control provision in each applicable named executive officer s employment agreement for the payment of severance is a double trigger. A double trigger for severance payments was selected because, unless the named executive officer s employment is terminated after the change in control, his cash compensation in the form of salary and annual bonus would continue from the acquiring entity, which is what the severance payment is based upon and intended to replace. See the *Narrative Disclosures of Termination and Change of Control Payments* discussion below for additional information on these severance payments.

The change of control provisions in the stock option agreements and the deferred compensation plans are single trigger, reflecting our intent that the named executive officers have the ability to use those shares to vote upon any proposed transaction, and to ensure that the named executive officers receive deferred compensation to which they are entitled.

Severance Payments

Each of the employment agreements provides for a two-month severance benefit upon the named executive officer s termination due to death or disability. This amount reflects what we believe to be a modest transition for the executive or his family for termination events that are sudden and beyond the executive s control. We provide severance benefits of 200% of base salary for terminations without cause or that are voluntary within one year after a change in control. This amount reflects our belief that it is difficult for executive officers to find comparable employment opportunities in a short period of time, particularly after experiencing a termination that was beyond their control. We provide a severance benefit of 100% of base salary upon retirement. We consider the 100% severance payment a nominal reward for length of service given that we do not provide our executives defined benefit or supplemental executive retirement plans.

Accounting Impact and Tax Deductibility of Compensation

Accounting Impact

We accrue our named executive officers salaries and bonus awards as an expense when earned by the officer. For our fixed-price stock options, the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), Topic 718, requires us to recognize compensation expense within our income statement for share-based payment arrangements, which includes employee equity compensation plans.

Stock-based compensation expense when recognized is based on the grant-date fair value of the options granted, and is recognized ratably over the requisite service period. We adopted FASB ASC 718 under the modified prospective method. Under the modified prospective method, FASB ASC Topic 718 applies to new awards and to awards modified, repurchased, or cancelled after January 1, 2006, as well as to the unvested portion of awards outstanding as of January 1, 2006. Our stock options are accounted for as equity awards.

Tax Deductibility

Section 162(m) of the Internal Revenue Code limits the corporate deduction for compensation paid to the named executive officers (other than our CFO) to $1 million unless such compensation qualifies as performance-based compensation. Among other things, Section 162(m) requires approval of the performance-based compensation by our shareholders. We have concluded that the adverse tax impact of paying salaries and bonuses to our CEO in excess of that limit was not significant enough to limit the salary and annual bonus amounts awarded. All of the compensation potentially earned by our named executive officers under our stock option plans qualifies as performance based under 162(m), except for grants issued under the 2000 Plan that are exercised while the named executive officer is an employee of NVR, which was not shareholder approved.

THE FOLLOWING REPORT OF THE COMPENSATION COMMITTEE SHALL NOT BE DEEMED TO BE SOLICITING MATERIAL OR TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934 OR INCORPORATED BY REFERENCE IN ANY DOCUMENT SO FILED.

Report of the Compensation Committee

The Compensation Committee hereby reports as follows:

1. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with NVR s management; and

2. Based on the review and discussion referred to in paragraph 1, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in our 2010 proxy statement to be incorporated by reference in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the Securities and Exchange Commission.

The undersigned, constituting all of the members of the Compensation Committee, have submitted this report to the Board of Directors.

John M. Toups (Chairman), Timothy M. Donahue, Manuel H. Johnson, David A. Preiser, W. Grady Rosier and Paul W. Whetsell

2009 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($) (3)	Total ($)
Dwight C. Schar **(1)**	2009	$ 0			$ 1,533,433	$1,533,433
Chairman of the Board	2008	$ 0			$ 0	$ 0
	2007	$ 0			$ 0	$ 0
Paul C. Saville	2009	$800,000		$400,000	$ 7,350	$1,207,350
Principal Executive	2008	$800,000	$3,885,750		$ 7,400	$4,693,150
Officer	2007	$800,000			$ 7,250	$ 807,250
William J. Inman	2009	$430,000		$215,000	$ 7,350	$ 652,350
President, NVR	2008	$430,000	$1,398,870		$ 6,900	$1,835,770
Mortgage Finance, Inc.	2007	$410,000		$ 97,278	$ 6,750	$ 514,028
Dennis M. Seremet	2009	$475,000		$237,500	$ 7,350	$ 719,850
Principal Financial	2008	$475,000	$2,020,590		$ 7,400	$2,502,990
Officer	2007	$430,000			$ 7,250	$ 437,250
Robert W. Henley	2009	$220,000		$110,000	$ 6,600	$ 336,600
Principal Accounting	2008	$220,000	$ 932,580		$ 6,600	$1,159,180
Officer	2007	$187,000			$ 5,610	$ 192,610

(1) Effective February 4, 2009, Mr. Schar relinquished his executive officer title, and is no longer an employee of NVR. He continues to be the Chairman of the Board. As of February 4, 2009, Mr. Schar earned a retirement separation benefit equal to one times his annual salary pursuant to his employment agreement. In addition, as a non-employee director, Mr. Schar is now eligible to be paid an annual Board retainer and Board meeting fees. The amounts disclosed in the all other compensation column for Mr. Schar in 2009 equals the $1,500,000 retirement separation benefit, which is being paid over a twelve month period beginning on the effective date, plus $23,833 paid for a pro rata portion of the annual Board retainer and $9,600 in Board meeting fees (see the footnotes to the *2009 Director Compensation Table* for a description of these fees).

(2) The amounts disclosed represent the aggregate grant date fair value of stock option grants made during the respective years in accordance with FASB ASC Topic 718, disregarding any estimate of forfeitures relating to service-based vesting conditions. The fair value valuation assumptions for the 2008 grants are as follows: i) the estimated option life is 3.9 years, ii) the risk free interest rate was 2.7% (based on a U.S. Treasury Strip due in a number of years equal to the estimated option life), iii) the expected volatility equals 33.9%, and iv) the estimated dividend yield is 0%.

(3) Excluding the amount for Mr. Schar (see *footnote 1* above), the all other compensation only includes amounts contributed by us on behalf of Mssrs. Saville, Inman, Seremet and Henley to our Employee Stock Ownership Plan

(ESOP), which is a defined contribution plan, for the respective plan year, and where applicable, a $500 matching contribution made by us pursuant to our 401(K) plan.

2009 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ($) Target	Maximum
Dwight C. Schar (1)		$ 0	$ 0
Paul C. Saville (2)	02/24/09	$400,000	$400,000
William J. Inman (2)	02/24/09	$215,000	$215,000
Dennis M. Seremet (2)	02/24/09	$237,500	$237,500
Robert W. Henley (2)	02/24/09	$110,000	$110,000

(1) Mr. Schar ceased to be an employee on February 4, 2009 when he relinquished his executive officer title and thus, was not eligible to participant in the 2009 annual bonus plan.

(2) Amounts pertain to our 2009 annual bonus plan. See the *Annual Cash Bonus* section in our *Compensation Discussion and Analysis* above and the *Narrative Disclosure to Summary Compensation and Grants of Plan-based Awards Tables* below.

Narrative Disclosure to Summary Compensation and Grants of Plan-Based Awards Tables

Employment Agreements

We have entered into employment agreements with each of our named executive officers, except Mr. Henley (see below for a discussion of Mr. Schar). The agreements were entered into on July 1, 2005, and continue through January 1, 2011. Each of the named executive officers employment agreements were amended effective January 1, 2009 to comply with Section 409A of the Internal Revenue Code relative to deferred compensation. Any of the agreements can be extended if both the executive and NVR mutually agree to extend the term. The full agreements were filed as exhibits 10.2, 10.3, and 10.4 to a Form 8-K filed with the SEC on June 28, 2005. The amendments that conformed the agreements to Section 409A were filed as exhibits 10.38, 10.39 and 10.40 to our 2008 Form 10K filed with the SEC on February 25, 2009. The 2005 Forms 8-K and the 2008 Form 10-K can be found on the SEC s website at www.sec.gov.

Subsequent to Mr. Schar s relinquishment of his executive officer title on February 4, 2009, he is no longer an employee of NVR. Mr. Schar s voluntarily amended his employment agreement on December 21, 2006, November 6, 2007 and November 6, 2008 to reduce his salary and bonus opportunity to $0 for 2007, 2008 and 2009, respectively. Mr. Schar s December 21, 2006 amendment was filed as exhibit 10.1 to a Form 8-K filed with the SEC on December 22, 2006, his November 6, 2007 amendment was filed as exhibit 10.1 to a Form 8-K filed with the SEC on November 7, 2007, and his November 6, 2008 amendment was filed as exhibit 10.1 to a form 8-K filed with the SEC on November 10, 2008.

Other than the applicable named executive officers titles, minimum base salary amounts and NVR stock holding requirements, the material terms in each agreement are essentially the same and cover:

Minimum base salaries:

Mr. Saville $650,000

Mr. Inman $390,000

Mr. Seremet $400,000

Annual bonus eligibility up to 100% of base salary based on criteria determined by our Compensation Committee (see *Compensation Discussion and Analysis Annual Cash Bonus* above);

Eligibility to participate in our benefit plans at identical participation costs offered to all of our employees eligible to participate in those plans;

Eligibility to have reasonable business expenses reimbursed, subject to reimbursement policies to which all of our employees are subject equally;

The requirement of a continuous NVR stock holding requirement, as set forth under the *Stock Ownership Guidelines* section of the *Compensation Discussion and Analysis* above;

Severance payments due under various termination scenarios (see *Potential Payments Upon Termination or Change of Control* below for additional information);

Covenants for the applicable named executive officers not to compete with us (see *Potential Payments Upon Termination or Change of Control* below for additional information); and

Extension of our indemnification to the executives during the performance of their duties to the fullest extent permitted by the laws of the Commonwealth of Virginia.

2009, 2008 and 2007 Compensation

For Mssrs. Saville, Seremet and Henley, all of the cash compensation paid was in the form of base salary during 2008 and 2007. As noted above in the *Compensation Discussion and Analysis Base Salary* discussion, none of the named executive officers received salary increases in 2009 from 2008 levels. Mr. Saville has not received a salary increase since the beginning of 2006.

For a discussion of the general terms and objectives behind our 2009 annual cash bonus plan, see *Compensation Discussion and Analysis Annual Cash Bonus* above. The maximum bonus opportunity available for our named executive officers in 2009 was reduced to 50% of base salary from 100% as a cost savings measure. With respect to the specific performance targets established under the 2009 annual bonus plan, the consolidated pre-tax profit target at which 100% of the annual bonus was earned was $190,283,000, and the 80% threshold at which the annual bonus was to be ratably earned was $152,226,000. Our actual 2009 consolidated pre-tax profit was $364,820,000, which was above the 100% maximum. The 2009 new orders target (net of cancellations) was 7,000 units, with the 85% threshold being 5,950 units. Our actual 2009 new orders were 9,409 units, resulting in 100% of this portion being attained. As a result, Mssrs. Saville, Inman, Seremet and Henley earned 100% of their maximum bonus, calculated as follows: (80% x 100%) + (20% x 100%).

In 2008, Mssrs. Saville, Seremet and Henley earned 3.4% of their maximum bonus opportunity and Mr. Inman earned 63.1% of his maximum bonus opportunity. However, Mssrs. Saville, Inman, Seremet and Henley recommended to the Compensation Committee that no bonuses be paid to them in 2008 as a cost savings measure, which the Committee approved. Mr. Inman earned 23.7% of his 2007 maximum bonus opportunity.

During 2008, Mssrs. Saville, Seremet, Inman and Henley were granted fixed-price stock options to purchase 25,000, 13,000, 9,000 and 6,000 shares, respectively. There were no stock option grants issued in 2009 or 2007 to any of the named executive officers. For further information see the *Compensation Discussion and Analysis Fixed Price Stock Options* section and also footnote (2) to the *2009 Summary Compensation Table*, and footnote (b) to the *Outstanding Equity Awards at December 31, 2009 Table*.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2009

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Dwight C. Schar:				
2000 Option Plan (a)	100,000		$189.00	05/02/11
Paul C. Saville:				
2000 Option Plan (a)	120,000		$189.00	05/02/11
2000 Option Plan (b)		25,000	$515.05	01/02/18
William J. Inman:				
2000 Option Plan (a)	12,500		$189.00	05/02/11
2000 Option Plan (b)		9,000	$515.05	01/02/18
Dennis M. Seremet:				
2000 Option Plan (a)	12,500		$189.00	05/02/11
2000 Option Plan (b)		13,000	$515.05	01/02/18
Robert W. Henley:				
2000 Option Plan (a)	1,750		$189.00	05/02/11
2000 Option Plan (b)		6,000	$515.05	01/02/18

(a) These options were granted on May 3, 2001. The exercise price of the options was equal to the market value of the underlying stock on the date of grant. Twenty-five percent of the options vest on each of December 31, 2006, 2007, 2008 and 2009, with vesting based solely upon continued service in the capacity in which the grants were issued.

(b) These options were granted on January 3, 2008. The exercise price of the options was equal to the market value of the underlying stock on the date of the respective grants. The options vest on December 31, 2010, with vesting based solely on continued service in the capacity in which the grants were issued.

* * * * *

2009 OPTION EXERCISES AND STOCK VESTED

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**
Dwight C. Schar	100,000	$21,935,880
Paul C. Saville	40,301	$17,206,378
William J. Inman	12,500	$ 4,116,625
Dennis M. Seremet	12,500	$ 4,888,142
Robert W. Henley	3,500	$ 1,497,458

(1) The value realized is calculated based on the difference between the market price of NVR common stock on the date of exercise and the respective

exercise price,
multiplied by
the number of
options
exercised.

2009 NON-QUALIFIED DEFERRED COMPENSATION TABLE

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings (Loss) in Last FY ($) (a)	Aggregate Withdrawals/ Distributions ($)(b)	Aggregate Balance at Last FYE ($)
Dwight C. Schar:					
Plan 1 (c)			$(12,945,538)	$97,764,894	$ 0
Plan 2 (d)			$ 740,858	$ 3,028,194	$ 0
Paul C. Saville:					
Plan 1 (e)			$ 26,942,988		$75,252,107
Plan 2 (f)			$ 197,651		$ 552,042
William J. Inman:					
Plan 1 (g)			$ 21,981,273		$61,393,973
Dennis M. Seremet:					
Plan 1 (h)			$ 10,312,500		$28,802,944
Robert W. Henley					

(a) Represents unrealized earnings/(losses) of the market value of the NVR common stock held in the respective officer s deferred compensation account. We have never paid dividends.

(b) Pursuant to Mr. Schar relinquishing his executive officer title on

February 4, 2009, during 2009 he received a distribution of all deferred compensation pursuant to the terms of his deferred compensation agreements.

(c) Mr. Schar deferred a total of $30,171,848 of earned compensation, all of which was previously reported by us in prior years Summary Compensation Tables within our proxy statements.

(d) Mr. Schar deferred a total of $3,476,520 of earned compensation, all of which was previously reported by us in prior years Summary Compensation Tables within our proxy statements.

(e) Mr. Saville deferred a total of $15,995,411 of earned compensation, all of which was previously reported by us in prior years Summary Compensation

Tables within our proxy statements.

(f) Mr. Saville deferred a total of $600,000 of earned compensation, all of which was previously reported by us in prior years Summary Compensation Tables within our proxy statements.

(g) Mr. Inman deferred a total of $12,274,639 of earned compensation, all of which was previously reported by us in prior years Summary Compensation Tables within our proxy statements.

(h) Mr. Seremet deferred a total of $7,334,970 of earned compensation, all of which was previously reported by us in prior years Summary Compensation Tables within our proxy statements.

Narrative to the 2009 Non-Qualified Deferred Compensation Table

We have two deferred compensation plans, which we refer to as plans 1 and 2, respectively, for purposes of this discussion. Plan 1, which we adopted on December 15, 1999, was closed for new contributions effective December 31, 2004. Each of the named executive officers, solely at their election, may defer 100% of any earned salary or bonus into plan 2, which we adopted December 15, 2005. Stock option gains are prohibited by law from being deferred.

Amounts deferred are invested in a fixed number of shares of our common stock, which is purchased on the open market at fair market value. This is the only investment choice for the named executive officers. All amounts placed in the deferred compensation plan are amounts already due to the named executive officer; we do not make employer contributions to their accounts. Further, earnings on deferred amounts solely represent appreciation/(depreciation) of the market value of the NVR shares of common stock held. We do not provide for a minimum return or guarantee a minimum payout amount. These are at risk investments. The shares of our common stock held in each named executive officer s account are distributed to the named executive officer upon expiration of the deferral period. The deferral period expires for Plan 1 at the named executive officer s termination of employment, and expires for Plan 2 six months after the named executive officer s termination of employment.

NARRATIVE DISCLOSURES OF TERMINATION AND CHANGE OF CONTROL PAYMENTS

Our named executive officers are eligible to receive certain termination and/or change in control payments and acceleration rights under certain of the compensation arrangements that they hold with us. These payments and acceleration rights are contained within the executive officers employment agreements, employee stock option agreements and deferred compensation plan agreements.

Employment Agreements

As noted in the *Narrative Disclosure to the Summary Compensation Table*, we employ Mssrs. Saville, Inman and Seremet pursuant to employment agreements (Mr. Schar was employed under an employment agreement prior to February 4, 2009, the date upon which he relinquished his executive officer title, and Mr. Henley does not have an employment agreement with us). The agreements cover the additional payments that would be due to these individuals in the following termination scenarios: 1) death, 2) disability, 3) retirement, 4) cause, 5) without cause, 6) voluntary, 7) voluntary within one year after a change in control, and 8) voluntary upon the election or appointment of a new Chairman and/or CEO accompanied by a change in business philosophy. The terms are identical in each of the agreements.

As noted above, effective February 4, 2009, Mr. Schar relinquished his executive officer title, and thus was paid a retirement separation benefit which equaled $1,500,000 (see the *2009 Summary Compensation Table*). Mr. Schar is not entitled to any further separation benefits under his former employment agreement in his role as Chairman of the Board as of December 31, 2009. Severance payments under the various terminations scenarios pursuant to their respective employment agreements for Mssrs. Saville, Inman and Seremet are summarized below.

Termination Events

Death or Disability. The applicable named executive officer is entitled to receive in a lump sum two months of his then annual base salary and accrued pro-rated annual bonus, assuming that the maximum of 100% of base salary is earned for the period ending on the last calendar day of the second calendar month following the month in which the death or disability occurred. Assuming a December 31, 2009 termination event for death or disability, payments would be as follows:

Name	Salary Due	Bonus Due	Total Due
Paul C. Saville	$133,333	$133,333	$266,666
William J. Inman	$ 71,667	$ 71,667	$143,333
Dennis M. Seremet	$ 79,167	$ 79,167	$158,333

Retirement. Upon retirement, the applicable named executive officer is entitled to receive, in 12 monthly installments beginning six months from the date of termination, an amount equal to 100% of his then annual base salary and any accrued pro-rated annual bonus, assuming that the maximum of 100% of base salary is earned and the annua