



Realty Executives Florida Keys

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1 June 2013

Hello, everyone ...

We will get to real estate in a minute! I'm back from a week at Axiom Recording Studios in St Petersburg FL with The Gents ... CD to follow in about 3 weeks ☺. Great experience, works like this:

(1) First two days, the band records all "scratch tracks" ... complete songs, start to finish, with all instruments and voices recorded separately on 16 individual tracks. Drums and bass guitar have to hit it just right, because they get no "do-overs". This becomes the base-line.

(2) Next three days all the guitars, keyboard and vocals are re-recorded separately if needed (they are always needed), repairing any missed notes, flubs, hesitations, etc.

(3) Then the software takes-over to do all the stereo balancing, volume control, tempo tracking, etc. And the technician can add his magic touches to the finished product. The *manufactured* sound should be great, better than anything we could produce in real life, on-stage, with one take. More later!

Table of Contents for this issue:

- (1) Cover letter
- (2) Article: *11 Reasons to Get a Mortgage Loan Now* (MSNmoney)
- (3) Key West multi-units
- (4) **Wildcard** entry: *Active Hurricane Season Expected* (KW Citizen)
- (5) My current buyers
- (6) Article: *What is Your Mortgage IQ?* (Zillow.blog)
- (7) Article: *Should You Buy A Fixer-Upper?* (MSNmoney)
- (8) Financial Crisis Inquiry Commission: Post #25
- (9) Southernmost Stars: 1 June 2013

Related to one of the articles in the newsletter, I've always thought that the best bargain in Key West real estate is an Old Town residence that is *expandable*. As of 5/13, there have been 65 Old Town sales in 2013.

Average price = \$714,234

Average living Sqft = 1497

So, the average Old Town sale comes in at \$476/Sqft. Building contractors can add living Sqft at a rate of about \$250/Sqft. So, why doesn't everybody add Old Town squarefootage and reap the windfall? EOTA ... Equity Out Of Thin Air. OK, it's probably not that simple, not linear. But it makes a good soundbite.

In the news recently, it was revealed that the FBI has (or *may* have) access to everyone's email. I have nothing to hide, so OK with me ... with the exception of the overall notion of shrinking individual freedoms. Actually, I'm happy to hear that the FBI is getting my newsletter. That increases the circulation from 435 to 60,435. I'm disappointed that I haven't heard from any of the 60,000 in the Bureau. Real-estate-wise, that is. Aside from that, I'll assume no news is good news. Is that a drone I hear overhead?

Jim Smith, Broker Associate and part-owner

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11 Reasons to Get a Mortgage Now

Current market conditions (low rates, increasing prices, spring buying season) favor a stronger housing sector than has been seen since the recession began. Before too long, however, the extraordinary support for the mortgage market will erode. Enjoy the present “Good Old Days” while they last. **Borrowers should ACT now!** Why?

- (1) **Mortgage loan rates will rise:** There have been minor increases to the historic low loan rates, but not enough to squelch refinancing or purchases. The factors that keep mortgage interest rates low (especially Federal Reserve policy) may be changing.
- (2) **Federal Reserve supports will end:** The Fed manipulates interest rates by purchasing Treasuries of up to \$45 billion per month and purchasing mortgage-backed securities up to \$40 billion per month. How much longer will the Fed continue these policies?
- (3) **Home prices are increasing:** Homebuyers might miss their best chance of getting an inexpensive home at a rock-bottom rate if they don't act now. Consumers should consider moving off the sidelines before prices increase even more due to increasing demand and lower inventories.
- (4) **Home sales are increasing:** Sales in 2012 were 13% higher than 2011. Inventory levels are coming down. Buyers might find it increasingly difficult to find suitable homes from which to choose.
- (5) **FHA costs are increasing:** Low-downpayment programs are getting more expensive, as FHA raises costs to help it recover from the housing crash. For those who need these programs, the time to act is now.
- (6) **HARP 2.0 will expire:** This allows homeowners to refinance no matter how far underwater their home is. But the program is slated to expire at the end of 2013.
- (7) **Rents are increasing:** The increase nationwide has been 3% per year, much more in some localities. Landlords are in the driver's seat. Rising rents are a motivation for tenants to escape the rent-paying cycle and take advantage of the many opportunities and benefits of buying.
- (8) **Mortgage interest deduction uncertainty:** It's been on the Congressional chopping-block for some time now. It may be reduced or eliminated ... but it hasn't been scaled-back yet.
- (9) **Decreasing affordability:** The National Realtor Association's “Affordability Index” was at its highest in 2012, but rising prices and higher interest rates will adversely affect affordability in the future.
- (10) **Decreasing delinquencies:** Delinquencies were one-third lower in 2012 compared to the peak in 2010. A continued decline will solidify home prices and give homebuyers greater confidence. Also, a continued decline will result in fewer inexpensive (distressed) properties being available for purchase.
- (11) **Desirability is back:** Not too long ago there was little news to get homebuyers excited about the prospect of ownership. But today, people are less worried about their jobs, prices have stopped falling, sales have picked-up and consumers are seeing fewer foreclosures and more construction. All these signals persuade consumers to get interested in buying again.

KEY WEST multi-unit properties: On-market and recent sales. **1 JUNE 2013**

List Price:

\$-per-Unit: (blue = under \$200K ea)

DUPLEXES:

1612 Bertha St:	\$ 410,000	ROI 8.23%	duplex	\$ 212,500	
3409 Eagle Ave:	\$ 469,000	ROI 7.01%	duplex	\$ 234,500	Price reduced
316 Amelia St:	\$ 499,000	ROI 4.45%	duplex	\$ 249,500	Short-sale
2514 Staples Ave:	\$ 595,000	ROI 5.21%	duplex	\$ 297,500	
1122 Eaton St:	\$ 599,000	ROI 3.51%	duplex	\$ 299,500	
421 United St:	\$ 699,000	ROI 3.88%	duplex	\$ 349,500	Price reduced
1223 Royal St:	\$ 699,000	ROI 2.11%	duplex	\$ 349,500	
1321 South St:	\$ 750,000	ROI 3.12%	duplex	\$ 375,000	
914 Frances St:	\$ 795,000	ROI 2.49%	duplex	\$ 397,500	Short-sale
1324-28 Duncan St:	\$ 799,000	ROI 3.63%	duplex	\$ 399,500	
1100 Angela St:	\$ 1,190,000	ROI 2.55%	duplex	\$ 595,000	Cancelled 5/10/13
815 Eisenhower Dr:	\$ 1,395,000	ROI 2.12%	duplex	\$ 697,500	

3 UNITS:

717 Fort St:	\$ 389,888	ROI 6.33%	3-units	\$ 129,963	Under contract 5/31/13
1614 Dennis St:	\$ 649,000	ROI 7.62%	3-units	\$ 216,333	
1821 Harris Ave:	\$ 799,000	ROI 7.27%	3-units	\$ 266,333	Price reduced
622 Grinnell St:	\$ 1,200,000	ROI 2.35%	3-units	\$ 400,000	
611 William St:	\$ 1,399,000	ROI 1.31%	3-units	\$ 466,333	

4 UNITS:

1023 Whitehead St:	\$ 850,000	ROI 11.79%	4-units	\$ 218,750	Temporarily off market
1119-23 Simonton:	\$ 1,500,000	ROI 2.79%	4-units	\$ 375,000	
530 William St:	\$ 1,645,000	ROI 10.36%	4-units	\$ 411,250	Cancelled 2/27/13

Greater than 4 UNITS:

1301 Truman Ave:	\$ 925,000	ROI 10.36%	8-units	\$ 115,625	
2503 Harris Ave:	\$ 950,000	ROI 8.59%	5-units	\$ 190,000	Cancelled 3/29/13
400 Simonton St:	\$ 1,599,000	ROI 2.61%	6-units	\$ 266,500	
733 Whitehead St:	\$ 1,000,000	ROI 8.40%	6-units	\$ 166,667	

SALES: recent or imminent



1112 Virginia St
SOLD 5/30/2013
for **\$410,000**



1320 Seminary St
SOLD 5/8/2013
for **\$480,000**



3314 Northside #24a
SOLD 5/29/2013
for **\$150,200**



1626 Sirugo Ave
SOLD 5/29/2013
for **\$1,075,000**

Active hurricane season expected

Technology offers real-time data; factors point toward 13-20 storms

BY ADAM LINHARDT Citizen Staff

The "factory" that churns out Atlantic hurricanes every summer may be stepping up production this year.

That's the metaphor used by Jonathan Rizzo, meteorologist in Key West for the National Weather Service, when describing the NOAA 2013 Atlantic hurricane season outlook ... an "active to extremely active" summer.

Rizzo said, "There's three things: No El Nino expected this year, increased rainfall in western Africa and warmer sea temperatures in the Caribbean. So, we expect high production in Africa and the roads of the warehouse parking lot are going to be paved, if we look at this like a factory."

Rizzo stressed the prediction doesn't imply the threat to the Florida Keys is any greater or less, only that the total number of storms in the Atlantic is expected to be high.

National forecasters say there is a 70% likelihood of 13 to 20 named storms (winds of 39 mph or higher), of which 7 to 11 could become hurricanes (winds of 74 mph or higher), including 3 to 6 major hurricanes (Category 3, 4 or 5; winds of 111 mph or higher). That's above the seasonal average of 12 named storms, six hurricanes and three major hurricanes. Hurricane season runs from June 1st through November 30th.

There are new maps this year on NOAA weather sites that depict storm surge warnings and advisories. Surge levels are difficult to predict given the length of coastline in the Keys as well as elsewhere, but implementation became a priority after Hurricane Sandy struck the upper east coast last year.

"You're going to see the surge graphics about 24 hours prior to a storm's expected landfall, because surge prediction requires a lot of precision," Rizzo said, adding that forecasters have to take into account many factors beyond a storm's size and direction when predicting how water levels will rise and where.

In July, NOAA plans to bring online a new supercomputer that will run an upgraded Hurricane Weather Research and Forecasting (HWRF) model that is expected to improve storm intensity forecasts and better describe storm structures. Also this year, Doppler radar data will be transmitted in real time from NOAA's Hurricane Operations Center Hurricane Hunter aircraft, which will help meteorologists predict the dreaded "rapid intensification" of storms.

JSmith Note: Just lucky maybe, but it seems that every year recently was expected to be "above average" in terms of hurricane formation. But when the hurricane seasons ended, Key West was unaffected, even though the predictions were true! We hope our good luck (or whatever it is) continues, of course ... don't want to jinx anything. But for the next 6 months, I'm going to include a small chart of predictions versus real life. It will help show the weather Spirits out there that we are paying attention and showing respect ☺.

Odd reporting though ... kinda "telescoping". As I understand it, a major hurricane would pass through all three phases and get a check for being a named storm, then a hurricane, and then a major hurricane. Don't worry, I've got some time to figure it out!

My Current BUYERS in the Lower Florida Keys:

June 2013

These are a sample of 5 buyers I am currently working with, in no particular order ... what they are searching for, what their concerns are, what issues must be overcome, etc. Some of this may resonate with you, too! It will be a challenge to highlight 5 new buyers each month ... but, let's see how it goes. By my calculations, the present inventory of buyers will be exhausted in a few short months, so I'll need a steady pipeline of newbies to replenish the inventory and keep this column going. Anyway, if you are a seller (or know someone who is), maybe one of these buyers would be a good match! I hope you find this interesting, even with identities withheld. If you are one of my buyer-prospects, surely you will recognize yourself!

Buyer #1: I have remained in contact with a past customer (buyer) who is doing a slow-motion renovation of her big Meadows property ... and the owner has taken in a roommate. The roommate is also interested in Keys real estate, and has explored several duplex properties in the same neighborhood. The dream result would be a wintertime, income-producing getaway in Key West and a summer residence elsewhere. I think we can find something to accommodate that dream! Target properties would be in the < \$500K range, multi-unit, Old Town location ... equally convenient to KW attractions, yet with privacy and quiet at home.



Buyer #2: Ongoing customers were just notified that their attempt to purchase a short-sale condo was denied. Teaching moment, I guess ... short-sale lenders are not in the real estate business, they are in the loan collection business. These buyers were left hanging for 10+ months without an approval, then summarily cancelled when "word" got to the lender that another buyer would pay more. No comms. No recourse. No soul. So, my customers remain in the rental market and have re-started their search to buy ... Key West condo, \$300K max, 2-beds, 2-baths and approximately 1000 living sqft. Key West By-the-Sea?



Buyer #3: I received a call out-of-the-blue from a couple in the Space Coast-area (Titusville) who had seen an advertisement for a small condo I have listed for sale. They want to attempt a novel purchase! On their Titusville property, they qualify for a "Reverse Mortgage" and they want to use the proceeds from that transaction to purchase the KW condo for cash. I gave them the contact information for an expert in reverse mortgages who (on the old radio show!) had talked about this same kind of purchase. Long shot ... but who knows, it could happen!



Buyer #4: MLS Listings are copied and re-broadcast by numerous other websites, most of which are fine, but a few are dubious. I received another call out-of-the-blue from a Kansas City MO buyer who is interested in Key West multi-unit properties (or *anything* that cashflows!). He saw a listing of a duplex of mine on the internet. Price is not a consideration ... just income-producing with 8% cap rate minimum. He visits Key West often, and would like a property he could use personally when in town. I think we can find one or two of those!



Buyer #5:



OPENING! Currently interviewing for decisive buyer, cash preferred, ready to take action immediately. Retired (or paroled) Wall Street kingpin would be good. Or, professional athlete. Or, Rock Star. Must be able to read and sign tons of paperwork in microseconds, just trust us. No job too ~~small~~ big. Discount for multiple-purchases. Equal Oppty Broker Assoc w/insurance ... and lawyer, so don't even think about suing. Call soon!



What Is Your Mortgage IQ?

May 9, 2013 by Alison Paoli

After several years of depressed demand, home buyers are back! But are future home buyers ready to get a mortgage? A Zillow survey just released indicates that many buyers are not. The Mortgage IQ Survey showed that prospective home buyers answered very basic mortgage questions wrong nearly one-third of the time.

Think you have a high mortgage IQ? Take the 10-question True/False test (below) yourself to see how prepared you are to enter the market and secure your dream home while getting the best mortgage for you.

Mortgage Loan IQ Quiz

- Q1: Annual Percentage Rate (APR) is the yearly true cost of the mortgage loan, including closing costs, taxes, insurance, points and other charges? (ANS: True)
- Q2: Mortgage loan rates are set once per day at 9:00 AM EST. (ANS: False)
- Q3: By law, all lenders charge the same amount for appraisals and credit reports. (ANS: False)
- Q4: Buyers must get their mortgage loan from the same lender who did their Pre-Approval. (ANS: False)
- Q5: Buyers will get the best interest rate from the bank where they have their checking account. (ANS: False)
- Q6: With husband-and-wife buyers, lenders will check the credit of both with all three Credit Bureaus, and then use the lower of the middle two scores. (ANS: True)
- Q7: Buyers can get a mortgage loan with less than 5% downpayment. (ANS: True)
- Q8: Buyers with recent short-sales or foreclosures must wait 7 years for another mortgage loan. (ANS: False)
- Q9: Homeowners who are underwater are unable to refinance. (ANS: False)
- Q10: Homeowners are limited to only one refinance per year. (ANS: False)

Mortgage IQ Survey results:

- (1) One-third (34%) of first-time home buyers are not aware that it is possible to get a home loan with a down payment of less than 5%.
- (2) One-quarter (26%) of home buyers incorrectly believe they are obligated to close their loan with the lender that pre-approved them.
- (3) Almost one-quarter (24%) of home buyers incorrectly believe that the best interest rates and fees can always be found through the bank they currently do business with.
- (4) One-third of buyers (34%) believe all lenders are required by law to charge the same fees for credit reports and appraisals.

Home buyers generally do not understand how to secure the best possible interest rate and loan terms. In fact, home buyers should always shop multiple lenders to compare rates and fees in order to find the best loan for their situation.

JSmith Note: It's becoming more and more apparent that financial education in the general population is not at the level it needs to be. In some cases, common sense is lacking, too. Here are two rules that every borrower would do well to memorize:

- (1) Everything is negotiable.
- (2) The person across the table is not working in your best interest.



Should you buy a fixer-upper?

With housing inventory tight and many bank-owned homes on the market, some buyers are starting to consider homes that they previously would have dismissed as problems. **How much of a project should you take on?**

Buying a fixer-upper is hardly ever anyone's first choice. But with the number of available listings at or near record lows in many markets, paying for repairs is something more buyers have to plan on. Relying on the seller to make the repairs you want in this market is not a good strategy ... assume you'll have to take it in the existing condition.

There are times when it's best to walk away. Here's his list of problems you should walk away from:

- (1) **Mold:** If you see or suspect mold in the house, you should definitely get it inspected carefully. (You should never skip a home inspection, or any additional specialized inspections recommended by the inspector.) Mold on the inside could mean repairs to plumbing and extensive drywall replacement. Exterior mold could mean that the house has improper drainage, which requires expensive lot grading to remedy and, if uncorrected, could mean a flooded basement every time it rains.
- (2) **Foundation issues:** If an inspection turns up a problem with the foundation, you can bet that you'll be draining your bank account to fix it. And if your lender becomes aware of the problem, it could jeopardize your financing. Many lenders request a copy of the home inspection if it is cited on the purchase agreement.
- (3) **A bad floor plan:** Many buyers with large families talk themselves into a home with a less-than-ideal floor plan by rationalizing that it would be made better with an addition. While an addition can add space, it can't always resolve issues such as a cramped kitchen or bad access to the laundry room, bedrooms or backyard.
- (4) **A bad roof:** You are looking at thousands of dollars to replace it, on top of any other work.
- (5) **A dead or dying heating and air-conditioning system:** "If you have to replace the unit, you're looking at a minimum of \$5,000," Jacques says. And if it's a much older home, you might also have to commit to replacing some ductwork.
- (6) **An ancient, problematic electrical system:** Many old homes have faulty wiring and electrical panels that could pose a risk of electrical fire. For example, old circuit-breaker panels made by Federal Pacific Electric fail to trip and protect homeowners. Updating wiring is expensive, so know that going in.

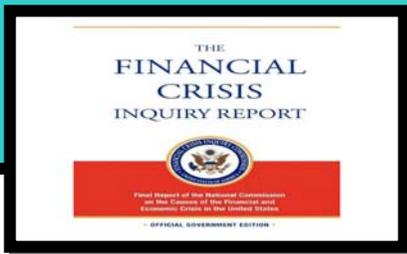
First-timer buyers should probably steer clear of a house that needs extensive repairs. Most people overestimate how handy they are and underestimate the costs of repairs. If many repairs are needed, you have to consider whether you'd be better off waiting and buying something a little more expensive. If you are going to give a fixer-upper serious consideration, make sure you do your homework. Price out repairs with a licensed contractor before you buy and have the contractor help you map out a realistic timeline for repairs.

If repairs are major, ask yourself if you are able to find another place to live. If you must move in, can you live with the house the way it is? Know that a home inspection might not turn up everything that needs work. Make sure you have an emergency fund to deal with these problems. See if your city's planning department offers any grants, tax abatements or other incentives for renovations in your neighborhood.

Lastly, prioritize your projects and don't tackle them all at once, especially if you're doing it yourself. You don't want to start working on both bathroom and kitchen and wind up getting stuck or out of money halfway through, when your counters are all ripped out.

Doing it on your own saves you money, but there's no one to complain to if you do it wrong.

JSmith note: Key West has one of the largest Historic Districts in the US. Did you know that if you purchase and renovate an Old Town historic, wood-frame residence for investment purposes, renovation expenses may be eligible for a 20% federal tax credit? Yep. See www.nps.gov/history/hps/tps/tax/ for more information!



The Financial Inquiry Commission spent more than a year examining the causes of the financial crisis. It held 19 days of public hearings, interviewed more than 700 witnesses and reviewed millions of pages of documents.

Legislation to create the Financial Crisis Inquiry Commission was passed in May 2009. Twenty months later the Commission delivered its report to the President, in January 2011. The full report is over 600 pages in length (short by Congressional standards), and my summary of the FCIC report began in the March 2011 newsletter with a Letter to the Editor of the Key West Citizen from Dr. Mark Whiteside dated 19 February 2011. Since then I've been summarizing chapter-after-chapter of the FCIC report in the newsletter, month-after-month. The result is a CliffNotes-style shrinkage of the report ... down to 25 pages. The full report is available at www.fcic.gov/report.

This is the Table of Contents of the FCIC report, and the outline I followed:

<u>Contents:</u>	<u>FCIC Chapters:</u>	<u>Newsletter summaries:</u>
Commissioners/Votes/Staff/Preface		March 2011 (Dr Whiteside)
Conclusions of the FCIC		April 2011
Part I: Crisis on the Horizon	(a) Before our very eyes	May 2011
Part II: Setting the Stage	(a) Shadow banking	June 2011
	(b) Securitization and derivatives	July 2011
	(c) Deregulation redux	October 2011
	(d) Subprime lending	November 2011
Part III: The Boom and Bus	(a) Credit expansion	December 2011
	(b) The Mortgage Machine	January 2012
	(c) The CDO Machine	February 2012
	(d) All In	March 2012
	(e) The Madness	April 2012
	(f) The Bust	May 2012
Part IV: The Unraveling	(a) Early 07: Sub-prime Worries	June 2012
	(b) Summer 07: Funding Disruptions	July 2012
	(c) Late 07 to early 08: Sub-Prime Losses	August 2012
	(d) March 08: Fall of Bear Stearns	September 2012
	(e) Mar to Aug 08: Systemic Risks	October 2012
	(e) September 08: Fannie and Freddie	November 2012
	(f) September 08: Lehman Bros BK	December 2012
	(g) September 08: Bailout of AIG	January 2013
	(h) Crisis and Panic	February 2012
Part V: The Aftershocks	(a) The Economic Fallout	April 2013
	(b) The Foreclosure Crisis	May 2013

I'd be happy to send you the entire package of chapter-summaries. For the price ☺ of an email at jimsmith@realtymax.com. Feel free to include your recommendations for the next hobby I should pursue to replace this one!

Southernmost Stars: **1 JUNE 2013** The least expensive properties currently on the market on the island of Key West. Changes from last month are in **blue!**

Ten least expensive Condos or Townhomes in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
1016 Howe St #9	\$189,000	1	1	144	1313	Transient license!
1016 Howe St #10	\$195,000		efficiency	110	1773	Transient license!
419 William St #6	\$199,000		efficiency	300	663	Conventional
3312 Northside #215	\$199,000	2	1	800	249	Conventional
3312 Northside #104	\$199,900	2	1	736	272	Conventional
157 Golf Club Dr	\$227,500	2	2.5	900	253	Foreclosure
2521 Fogarty #2	\$230,000	2	1	667	345	Conventional
60 Merganser Dr	\$230,720	2	1	780	296	Foreclosure
3314 Northside #47	\$257,000	2	2	920	279	Conventional
1011 Varela #3	\$259,000	1	1	393	659	Conventional

Missing from last month: 3312 Northside #205 ... under contract 1624 Bertha ... under contract
 2521 Fogarty #4 ... under contract 3312 Northside #704 ... under contract

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
718 Thomas St	\$349,900	2	2	855	409	Conventional
3525 Flagler Ave	\$362,000	3	2	1104	328	Conventional
1112-rear Margaret St	\$367,000	2	1	664	553	Conventional
717 Galveston Ln	\$369,000	1	1	532	694	Conventional (ren proj)
909 Catherine St	\$369,000	1	1	740	499	Conventional
3307 Donald Ave	\$359,000	3	2	1248	288	Conventional
2831 Flagler Ave	\$375,000	3	2.5	1300	288	Conventional
1232 3rd St	\$398,500	3	2	1056	377	Conventional
1711 Johnson St	\$399,000	2	1	816	489	Conventional
3412 Flagler Ave	\$418,000	4	2	1560	268	Conventional

Missing from last month: 1209 Margaret St ... SOLD for \$259,000
 901 17th Terrace ... under contract
 212 Golf Club Dr ... under contract

35% turnover from last month's STARS! Interesting pattern developing ... in both categories, the floor had to be raised and the ceiling had to be raised to capture the "bottom 10", and conventional sales are replacing distressed properties. So, the market is rising in price and quality! You saw it here first!

Least expensive does not necessarily mean *best value*. That is determined subjectively by factoring-in other variables like appreciation potential, amenities, special features, location, condition, age, style, appeal, etc.



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