

CAVCO INDUSTRIES INC  
Form DEF 14A  
June 12, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. \_\_\_\_\_)

Filed by the Registrant  x  
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Sec. 240.14a-12

Cavco Industries, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Phoenix, Arizona 85004  
602-256-6263

June 11, 2014

Dear Stockholders:

It is our pleasure to invite you to attend the Cavco Industries, Inc. 2014 Annual Meeting of Stockholders. The meeting will be held on July 22, 2014 at 9:00 a.m. (MST) at Cavco's offices, 1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004. The attached Notice of Annual Meeting of Stockholders and Proxy Statement provide information concerning the business to be conducted at the meeting and the nominees for election as a director and are first being mailed to stockholders on or about June 17, 2014.

Your vote is important. Whether or not you plan to attend the meeting, please vote your shares using the Internet, by telephone, or by completing, signing, dating, and returning the accompanying proxy in the enclosed envelope. Your shares will then be represented at the meeting if you are unable to attend. You may, of course, revoke your proxy and vote in person at the meeting if you desire.

Thank you for your support.

Sincerely,

Joseph H. Stegmayer  
Chairman of the Board of Directors,  
President and Chief Executive Officer

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Notice of Annual Meeting of Stockholders  
of Cavco Industries, Inc.

Date: July 22, 2014

Time: 9:00 a.m. (MST)

Place: Cavco Industries, Inc.'s ("Cavco") Offices  
1001 North Central Avenue  
Suite 800  
Phoenix, Arizona 85004

Items of Business: 1. To elect two directors comprising a class of directors to serve until the Annual Meeting of Stockholders in 2017, or until their successors have been elected and qualified;  
2. To ratify the appointment of Ernst & Young LLP as Cavco's independent registered public accounting firm for fiscal year 2015;  
3. To approve the Company's executive compensation on an advisory basis; and  
4. To transact such other business as may properly come before the meeting or any adjournment thereof.  
Annual Report: The 2014 Annual Report to Stockholders, which includes the Annual Report on Form 10 K, is enclosed and may be viewed on Cavco's website at <http://www.cavco.com/investorrelations/annualmeeting>.

Who Can Vote: You can vote if you were a stockholder of record at the close of business on June 9, 2014.

Date of Mailing: This Notice and Proxy Statement are first being mailed to stockholders on or about June 17, 2014.

By Order of the Board of Directors,

JAMES P. GLEW  
General Counsel and Secretary

To ensure representation of your shares at the annual meeting, you must vote and submit the proxy by telephone, over the Internet or by mail in the manner described in the accompanying proxy. All stockholders are encouraged to review the accompanying proxy statement.

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CAVCO INDUSTRIES, INC.

PROXY STATEMENT

Annual Meeting of Stockholders  
to be held July 22, 2014

INTRODUCTION

The accompanying proxy, mailed together with this proxy statement, is solicited by and on behalf of the Board of Directors (the "Board") of Cavco Industries, Inc., a Delaware corporation ("Cavco", the "Company", "we", "our" or "us"), for at the annual meeting of stockholders of Cavco to be held on July 22, 2014, at 9:00 a.m. (MST), and at any adjournment thereof. The mailing address of Cavco's executive offices is 1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on July 22, 2014:

The notice of meeting, proxy statement, annual report and sample proxy card are available for review at <http://www.cavco.com/investorrelations/annualmeeting>.

Purposes of the Annual Meeting

At the annual meeting, the Company will ask its stockholders to:

- (1) Elect two directors comprising a class of directors to serve until the Annual Meeting of Stockholders in 2017, or until their successors have been elected and qualified;
- (2) Ratify the appointment of Ernst & Young LLP as Cavco's independent registered public accounting firm for fiscal year 2015;
- (3) Approve the Company's executive compensation on an advisory basis; and
- (4) Transact any other business that may be properly presented at the annual meeting and any adjournment thereof.

Our Board of Directors does not know of any matters that may be acted upon at the annual meeting other than the matters set forth in the following pages.

Our home office telephone number is (602) 256-6263 should you wish to obtain directions to our executive offices in order to attend the annual meeting and vote in person.

This Proxy Statement is first being mailed to stockholders on or about June 17, 2014.

**YOUR VOTE IS IMPORTANT!**

**YOU ARE URGED TO VOTE YOUR PROXY PROMPTLY BY MAIL, TELEPHONE OR VIA THE INTERNET, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.**

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ABOUT THE MEETING

Who Can Vote

Record holders of common stock, par value \$.01 per share, of Cavco at the close of business on June 9, 2014 may vote at the annual meeting. On that date, the issued and outstanding capital stock of Cavco entitled to vote at the annual meeting consisted of 8,849,824 shares of common stock. Each stockholder will be entitled to one vote per share on the election of directors and each other matter that is described above or that may be properly brought before the meeting. There are no cumulative voting rights.

How You Can Vote

Stockholders can vote their shares of common stock at the annual meeting by voting and submitting the accompanying proxy by telephone, over the Internet, or by completing, signing, dating and returning the proxy in the enclosed envelope.

How Proxies Will be Voted

Shares represented by valid proxies received by telephone, over the Internet or by mail will be voted at the annual meeting in accordance with the directions given. If no specific choice is indicated, the shares represented by all valid proxies received will be voted: (i) FOR the election of the nominees for director named in the proxy; (ii) FOR the ratification of the appointment of Ernst & Young LLP as Cavco's independent registered public accounting firm for fiscal year 2015; and (iii) FOR approval of the advisory vote on the compensation of our named executive officers. In the event you specify a different choice by means of the enclosed proxy, your shares will be voted in accordance with those instructions.

Our Board does not intend to present, and has no information that others will present, any business at the annual meeting other than as is set forth in the attached notice of the meeting. However, if other matters requiring the vote of stockholders come before the annual meeting, the persons named in the accompanying proxy intend to vote the proxies held by them in accordance with their best judgment in such matters.

How to Revoke Your Proxy

You have the unconditional right to revoke your proxy at any time prior to the voting thereof by submitting a later-dated proxy, by attending the annual meeting and voting in person or by written notice to Cavco addressed to James P. Glew, Secretary, Cavco Industries, Inc., 1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004. No such revocation will be effective, however, unless received by us at or prior to the annual meeting. Attending the meeting without voting in person does not revoke your proxy.

Quorum and Required Vote

The presence at the annual meeting, in person or by proxy, of a majority of the shares of common stock entitled to vote at the meeting is necessary to constitute a quorum. Abstentions and broker non-votes will be counted as present for the purpose of establishing a quorum. With respect to Proposal No. 1 (Election of Directors), in order to be elected as a director, a nominee must receive the affirmative votes of the holders of a plurality of the shares of common stock present, either in person or by proxy and entitled to vote on the election of directors. The director-nominee receiving the highest number of votes will be elected. Abstentions and broker non-votes are not treated as votes cast and, therefore, will have no effect on Proposal No. 1.

The affirmative vote of a majority of the votes duly cast is required to approve Proposal No. 2 (Ratification of Appointment of Independent Auditors) and Proposal No. 3 (Advisory Vote on the Compensation of the Named Executive Officers). Abstention and broker non-votes are not treated as votes cast and, therefore, will have no effect on Proposal Nos. 2 and 3. The advisory vote on the compensation of named executive officers is not intended to address any specific item of compensation, but rather the overall compensation of the named executive officers and the compensation philosophy, policies and procedures described in this proxy statement.



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With respect to Proposal No. 3, because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Please note that your broker is not able to vote on your behalf in any director election without specific voting instructions from you. In addition, your broker is not able to vote on your behalf on Proposal No. 3. Accordingly, we encourage you to vote your shares before the meeting either by returning your proxy by mail, voting by telephone or voting via the Internet so that your shares will be represented and voted at the meeting if you cannot attend in person. If sufficient votes for approval of the matters to be considered at the annual meeting have not been received prior to the meeting date, we may postpone or adjourn the annual meeting in order to solicit additional votes. The form of proxy being solicited by this proxy statement provides the authority for the proxy holders, in their discretion, to vote the stockholders' shares with respect to a postponement or adjournment of the annual meeting. At any postponed or adjourned meeting, proxies received pursuant to this proxy statement will be voted in the same manner described in this proxy statement with respect to the original meeting.

**Expenses of Soliciting Proxies**

We will bear the cost of soliciting proxies for the annual meeting. Solicitation may be made by mail, personal interview, telephone or other electronic means by our officers and other employees, who will receive no additional compensation therefor.

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## STOCK OWNERSHIP

## Management

The following table sets forth information, as of June 4, 2014, with respect to the beneficial ownership of shares of Cavco common stock by each director, director nominee and executive officer named in the Summary Compensation Table under “Executive Compensation,” individually itemized, and by all directors, director nominees and executive officers of Cavco as a group. The percentages of class amounts set forth in the table below are based on 8,849,824 shares of common stock outstanding on June 4, 2014. Except as otherwise indicated, all shares are owned directly, and the owner has sole voting and investment power with respect thereto.

Name of Beneficial Owner (1)	Cavco Common Stock (2)	
	Number of Shares Beneficially Owned	Percent of Class
William C. Boor, Director	26,880	*
Steven G. Bunger, Director	18,500	*
David A. Greenblatt, Director	24,500	*
Jack Hanna, Director	17,000	*
Joseph H. Stegmayer, Chairman of the Board, President and CEO	703,803	7.95%
Daniel L. Urness, CFO, Vice President, and Treasurer	47,125	*
Charles E. Lott, President, Fleetwood Homes, Inc.	7,000	*
All directors, director nominees and executive officers of Cavco as a group	844,808	9.55%

\*Less than 1%.

(1) The address of listed stockholders is 1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004.

Shares covered by stock options that are outstanding under Cavco’s stock incentive plans and are exercisable on or within 60 days are included as “beneficially owned” pursuant to the rules and regulations of the SEC. Amounts include the following shares that may be acquired upon exercise of such stock options: Mr. Boor – 26,500 shares; (2) Mr. Bunger – 18,500 shares; Mr. Greenblatt – 24,500 shares; Mr. Hanna – 17,000 shares; Mr. Stegmayer – 161,375 shares; Mr. Urness – 45,350 shares; Charles E. Lott – 7,000 shares; and all directors, director nominees and executive officers of Cavco as a group – 300,225 shares.

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## Principal Stockholders

The following table sets forth information with respect to the persons, other than Mr. Stegmayer, that have reported beneficial ownership of more than five percent of the outstanding shares of Cavco common stock according to statements on Schedule 13D or 13G as filed by such persons with the SEC on or before June 4, 2014. The percentages of class amounts set forth in the table below are based on 8,849,824 shares of common stock outstanding on June 4, 2014.

Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Third Avenue Management, LLC 622 Third Avenue, 32nd Floor New York, NY 10017	2,004,502	(2) 22.65 %
Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104	1,151,216	(3) 13.01 %
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606-5016	759,000	(4) 8.58 %
T. Rowe Price Associates, Inc. (MD) 100 East Pratt Street Baltimore, MD 21202-1009	748,310	(5) 8.46 %
Joseph H. Stegmayer 1001 N. Central Avenue, Suite 800 Phoenix, AZ 85004	703,803	(6) 7.95 %
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	691,175	(7) 7.81 %
GAMCO Investors, Inc. One Corporate Center Rye, NY 10580-1422	624,662	(8) 7.06 %

(1) The Company makes no representations as to the accuracy or completeness of the information in the filings reported in footnotes (2) – (5) and (7) – (8).

(2) Information regarding Third Avenue Management LLC (“TAM”) is based solely upon a Schedule 13G filed with the SEC on February 14, 2014. TAM reported sole voting and dispositive power over all the shares.

(3) Information regarding Wells Fargo & Company (“Wells”) is based solely upon a Schedule 13G/A filed with the SEC on January 28, 2014. Wells reported that it possessed shared voting power with respect to 1,135,137 shares, and shared dispositive power with respect to 1,151,216 shares.

(4) Information regarding Columbia Wanger Asset Management, LLC (“Columbia Wanger”) is based solely upon a Schedule 13G/A filed with the SEC on February 6, 2014. Columbia Wanger reported having sole voting power with respect to 658,000 shares and sole dispositive power with respect to 759,000 shares. Columbia Acorn Fund reported having sole voting power of 460,000 shares and sole dispositive power with respect to all shares.

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- Information regarding T. Rowe Price Associates, Inc. (“Price Associates”) is based solely upon a Schedule 13G/A filed with the SEC on February 10, 2014. Price Associates reported having sole voting power with respect to 742,770 shares and sole dispositive power with respect to all shares. Price Associates has informed Cavco that these securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Value Fund, Inc. (which owns 682,100 shares, representing 7.7% of the shares outstanding), for which Price Associates serves as investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (6) Information regarding Joseph H. Stegmayer is based upon Cavco’s records as confirmed by Mr. Stegmayer. Information regarding BlackRock, Inc. (“BlackRock”) is based solely upon a Schedule 13G/A filed with the SEC on January 28, 2014. BlackRock reported having sole voting power with respect to 673,651 shares and sole dispositive power with respect to 691,175 shares.
- Information regarding GAMCO Investor’s, Inc. (“GAMCO”) is based solely upon a Schedule 13D/A filed with the SEC on August 12, 2013 by Mario J. Gabelli, and other entities that are directly or indirectly controlled by Mr. Gabelli or for which he acts as chief investment officer. GAMCO reported having sole voting power over 618,862 shares and sole dispositive power over 624,662 shares. Included in the Schedule 13D are shares held by Gabelli Funds, LLC, GAMCO Asset Management, Inc., and Teton Advisers, Inc.

**PROPOSAL NO. 1: ELECTION OF DIRECTORS**

Cavco’s Restated Certificate of Incorporation and Amended and Restated Bylaws provide for the division of the Board into three classes, with the directors in each class to hold office for staggered terms of three years each. Each class of directors is to consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board. There are two directors in the class whose term expires at the 2014 annual meeting (Messrs. Boor and Stegmayer), two directors in the class whose terms expire at the 2015 annual meeting (Messrs. Bunger and Hanna), and one director in the class whose term expires at the 2016 annual meeting (Mr. Greenblatt). Each director holds office until his or her successor has been elected and qualified or until the director’s earlier resignation or removal. William C. Boor and Joseph H. Stegmayer, members of the Board whose terms expires at the annual meeting, will stand for re-election at the annual meeting. Messrs. Boor and Stegmayer have been nominated for service as a director by our independent directors and the full Board pursuant to the procedures described under “Director Nominating Process” below. Unless contrary instructions are indicated on the proxy, it is intended that the shares represented by the accompanying proxy will be voted for the election of these nominees or, if the nominees become unavailable (which we do not anticipate), for such substitute nominees as the Board shall designate. A plurality of votes cast at the annual meeting, in person or by proxy, is required to elect a Board nominee. The nominees and the continuing directors furnished to Cavco the biographical information appearing below.

**Recommendation of the Board**

The Board recommends that the stockholders vote “FOR” the election of Mr. Boor and Mr. Stegmayer. Our Board has determined that all the members of the Board, other than Joseph H. Stegmayer, who is an employee of Cavco, are “independent” in accordance with (1) the applicable requirements of the Exchange Act, and the rules adopted by the SEC thereunder and (2) the applicable NASDAQ Rules, including Rule 5605(a)(2).

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Nominees for Director Standing for Election

Joseph H. Stegmayer, 63, serves as our Chairman of the Board, President and Chief Executive Officer and as a director and officer of Fleetwood Homes and Palm Harbor Homes and a director of Palm Harbor Villages, Inc. (“Palm Harbor Villages”). He has served as a director of Palm Harbor Villages since March 2011, as a director and officer of Palm Harbor Homes since November 2010, as a director and officer of Fleetwood Homes since July 2009, and as President and Chief Executive Officer and as a member of the Board of Cavco and its predecessor since March 2001. Mr. Stegmayer also served as President of Centex’s manufactured housing holding company, Centex Manufactured Housing Group, LLC, from September 2000 until Cavco’s spin-off from Centex in June 2003. Prior to joining Cavco, Mr. Stegmayer served as Executive Vice President of Champion Enterprises, Inc., a company that built and sold manufactured homes and as President, Vice Chairman and Chairman of the Executive Committee of Clayton Homes, Inc., a company that builds, sells, finances and insures manufactured homes.

As Chairman of the Board, President and CEO of Cavco, with in excess of twenty-five years of experience in the manufactured housing industry, Mr. Stegmayer has an in depth understanding of the factors affecting Cavco’s business. Mr. Stegmayer is widely recognized as a manufactured housing industry expert and has extensive experience managing public companies.

William C. Boor, 48, is Chairperson of our Audit Committee, a member of our Compensation Committee and has been a member of our Board since July 2008. Mr. Boor is Executive Vice President - Corporate Development and Chief Strategy/Risk Officer of Cliffs Natural Resources, Inc. (“Cliffs”), an international mining company based in Cleveland, Ohio, a position he has held since February 2014. Mr. Boor previously held the position of Senior Vice President - Global Ferroalloys. Mr. Boor joined Cliffs in May 2007 after having served as Executive Vice President, Strategy and Development, at American Gypsum Company, a subsidiary of Eagle Materials from 2005 to 2007. From 2002 to 2005, Mr. Boor served as Senior Vice President - Corporate Development and Investor Relations of Eagle Materials. From 2001 to 2002, he served as Vice President - Corporate Development of Centex. He also has held key leadership roles at Weyerhaeuser Co. and Procter & Gamble Co. In his current capacity, Mr. Boor oversees Government affairs, Environment, Safety and Sustainability, and has responsibility for identifying and leading initiatives to support the growth of Cliffs. He has diverse experience in manufacturing management, process engineering, financial management, investor relations and marketing.

Mr. Boor earned a Master of Business Administration from Harvard Business School and holds the Chartered Financial Analyst designation. Mr. Boor brings to our Board diverse experience in manufacturing management, process engineering, financial management, investor relations and marketing.

Continuing Directors

Terms Expiring in 2015

Steven G. Bunger, 53, is a member of our Audit Committee and has been a member of our Board since April 2004. Mr. Bunger has been engaged in private investments as his principal occupation since January 1, 2013. From 2001 until December 31, 2012, he served as Chairman of the Board of Mobile Mini, Inc. (“Mobil Mini”), the nation’s largest publicly-owned provider of portable storage containers and mobile offices. He was also the President and Chief Executive Officer of Mobile Mini, having served in those capacities from 1997 to 2012. Mr. Bunger joined Mobile Mini in 1983 and held numerous positions with the company, including Vice President of Operations and Marketing and Executive Vice President and Chief Operating Officer.

Mr. Bunger brings to our Board a breadth of operational, managerial, and marketing experience from running the world's leading provider of portable storage solutions. Additionally, Mr. Bunger has extensive acquisition experience which he lends in assisting Cavco’s management and Board in evaluating growth opportunities.

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Jack Hanna, 67, is a member of our Compensation Committee and has been a member of our Board since 2003. Since 2007, Mr. Hanna has hosted Jack Hanna's Into the Wild, a nationally syndicated television program. Since 2011, Mr. Hanna has hosted Jack Hanna's Wild Countdown which airs on ABC nationally. From 1993 through 2006, Mr. Hanna hosted Jack Hanna's Animal Adventures, a nationally syndicated television program. Mr. Hanna spends the majority of each year filming and lecturing around the world. Since 1992, Mr. Hanna has served as Director Emeritus of the Columbus Zoo and Aquarium in Columbus, Ohio.

As evidenced by his long tenure with the Columbus Zoo and Aquarium, Mr. Hanna has extensive management and leadership experience. With his keen understanding of human resource, marketing, operations and facilities management matters, Mr. Hanna led the transformation of the Columbus Zoo and Aquarium from a modest operation into one of the largest and most highly respected and attended zoological facilities in the United States. These attributes make Mr. Hanna a valuable member of our Board.

Term Expiring in 2016

David A. Greenblatt, 52, is Chairperson of our Compensation Committee, a member of the Audit Committee and has been a member of our Board since October 2008. From 2005 to 2012, Mr. Greenblatt was Senior Vice President and Deputy General Counsel for Eagle Materials, Inc. ("Eagle Materials"), a NYSE-listed company specializing in the construction products and building materials business and headquartered in Dallas, Texas. From 2000 to 2002 he was Senior Vice President – Mergers & Acquisitions for Eagle Materials. He has also worked in various roles for Centex Corporation ("Centex"), including Vice President and General Counsel of its Investment Real Estate Group, Vice President and Assistant General Counsel of Centex and General Counsel of Cavco. Prior to joining Centex, Mr. Greenblatt was an associate for over 5 years in the corporate and securities group of Hughes & Luce (now K&L Gates, LLP) in Dallas.

Director Compensation

Only non-employee directors are compensated for service as a director. Upon commencement of service, non-employee directors receive a one-time grant of an option to purchase 10,000 shares of Cavco common stock. Effective April 1, 2012, annually, non-employee directors receive annual compensation in the form of a \$30,000 retainer fee, a grant of an option to purchase 4,000 shares of Cavco common stock on the anniversary of the director's election to the Board, and an additional \$2,000 for each Board meeting attended. Members of Board committees also receive a fee of \$1,000 for each committee meeting attended. The chairperson of the Audit Committee receives an additional \$10,000 per year for such service and the chairperson of the Compensation Committee receives an additional \$4,000 per year for such service. All Board members are reimbursed for reasonable expenses of attending Board and committee meetings.

All options awarded to non-employee directors have a seven-year term and a per share exercise price equal to the fair market value of a share of common stock of Cavco on the date of grant. All options awarded prior to April 1, 2010, become exercisable at the rate of 25% on the date of grant and an additional 25% on the following three anniversaries of the date of grant. Options awarded on or after April 1, 2010, become exercisable at the rate of 50% on the date of grant and 50% on the first anniversary of the date of grant. All rights to exercise the options terminate within four months of the date that the non-employee director ceases to be a director of Cavco for any reason other than death or disability; in the case of a director's death, the options terminate fifteen months thereafter and in the case of disability and resulting termination of the directorship, then the options terminate six months after such date of termination. However, if the non-employee director held the position for at least ten years, the options will vest on the date that the non-employee director ceases to be a director and all rights to exercise the options will terminate three years thereafter, but in no event may the options be exercised later than seven years from the date of grant.

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## DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to each non-employee director during the year ended March 29, 2014.

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)	Total (\$)
William C. Boor	63,000	71,120	134,120
Steven G. Bunger	52,000	62,520	114,520
David A. Greenblatt	57,000	76,600	133,600
Jack Hanna	48,000	78,520	126,520

Amounts in this column represent the aggregate grant date fair value computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification 718, Compensation—Stock Compensation (“ASC 718”). We describe the assumptions made in these valuations in Note 15 to the Consolidated Financial Statements included in Cavco’s Annual Report on Form 10-K for fiscal year ended March 29, 2014 (the “2014 Form 10-K”).

**Board and Committee Meetings**

During Cavco’s fiscal year ended March 29, 2014, the Board of Directors held eight meetings, the Audit Committee met five times and the Compensation Committee met four times. Each director attended at least 85% of the aggregate of the Board and committee meetings of which they were a member.

All Board members are expected to attend our annual meetings of stockholders, unless an emergency or unavoidable conflict prevents them from doing so. All directors, (Steven G. Bunger via telephone), attended our 2013 annual meeting, which was held on July 11, 2013.

**Director Nominating Process****Selection by Independent Directors.**

The Board has not established a director nominating committee. Instead, our Board has determined that the independent directors, as a group, should fulfill this responsibility. The Board has adopted resolutions, as required by the NASDAQ Rules, providing for the nomination of directors by the independent directors of the Board, which the Board believes promotes flexibility and ensures that each of our independent directors has a meaningful role in the selection of our director nominees. Generally, director nominees are identified and screened by all independent directors. For any nominee to be placed on Cavco’s ballot for voting by Cavco’s stockholders at any meeting of stockholders of Cavco, such nominee must first be approved by a majority of the independent directors of Cavco, and by a majority of the entire Board. The Board may form a nominating committee in the future at such time as the Board determines that a committee structure is necessary or useful in the director nominating process.

**Director Qualifications.** The independent directors evaluate potential director nominees according to the following criteria:

decisions for nominating candidates are based on the business and corporate governance needs of Cavco and if the need for a director exists, then candidates are evaluated on the basis of merit, qualifications, performance and competency;

the independent directors consider the composition of the entire Board when evaluating individual directors, including the diversity of experience and background represented by the Board; the need for financial, business, academic, public or other expertise on the Board and its committees; and the desire for directors working cooperatively to represent the best interests of Cavco, its stockholders and employees, and not any particular constituency;

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a majority of our Board must be comprised of “independent” directors in accordance with applicable NASDAQ Rules; we seek directors with the highest personal and professional character and integrity who have outstanding records of accomplishment in diverse fields of endeavor and who have obtained leadership positions in their chosen business or profession;

- candidates must be willing and able to devote the necessary time to discharge their duties as a director, and should have the desire to represent and evaluate the interests of Cavco as a whole;
- candidates must be free of conflicts of interest that would interfere with their ability to discharge their duties as a director or that would violate any applicable law or regulation; and
- candidates must also meet any other criteria as determined by the independent directors, which may differ from time to time.

Diversity. Cavco does not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the Board strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee Cavco's businesses.

Proposals by Stockholders. Our bylaws specify the manner in which stockholders may:

- make nominations for the election of directors;
- propose that a director be removed; or
- propose any other business to be brought before a meeting of stockholders.

Under our bylaws, in order to bring a proposal before a meeting of stockholders, a stockholder must deliver timely notice of a proposal pertaining to a proper subject for presentation at the meeting to our corporate secretary along with, among other specified information, the following:

- a description of the business or nomination to be brought before the meeting and the reasons for conducting such business at the meeting;
- the stockholder's name and address;
- the number of shares beneficially owned by the stockholder;
- the names and addresses of all persons with whom the stockholder is acting in concert and a description of all arrangements or understandings with such persons; and
- the number of shares beneficially owned by each person with whom the stockholder is acting in concert.

To be timely, a stockholder must deliver notice:

- in connection with an annual meeting of stockholders, not less than 90 nor more than 180 days prior to the date on which the immediately preceding year's annual meeting of stockholders was held;
- in connection with a special meeting of stockholders to elect directors, not less than 40 nor more than 60 days prior to the date of the special meeting; or
- in connection with a special meeting of stockholders for purposes other than the election of directors, not less than 10 nor more than 60 days prior to the date of the special meeting.



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In order to submit a nomination for our Board, a stockholder must also submit information with respect to the nominee that would be required to be included in a proxy statement, as well as other specified information. If a stockholder fails to follow the required procedures, the stockholder's nominee or proposal will be ineligible for election or other action and will not be voted on by our stockholders.

Other Board Matters

Board Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of Cavco to make that determination based on the position and direction of Cavco and the membership of the Board. The Board has determined that having Cavco's Chief Executive Officer serve as Chairman is in the best interest of Cavco's stockholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of Cavco and its industry, as well as fostering greater communication between Cavco's management and the Board. Cavco does not have a lead independent director.

The Board's Role in Risk Oversight

Management of risk is the responsibility of Cavco's executive officers and senior management team. The Board has oversight responsibility and has designated the Audit Committee to oversee Cavco's processes to manage business and financial risk and compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee reports to the Board regarding the adequacy of Cavco's risk management processes. To assist the Audit Committee in overseeing risk management, Cavco's Director of Internal Audit is directly accessible by the Audit Committee and reports to the Audit Committee upon request. Additionally, the Board encourages management to promote a corporate culture that incorporates risk management into Cavco's corporate strategy and day-to-day business operations. The Board regularly works, with the input of Cavco's executive officers, to assess and analyze the most likely areas of future risk for Cavco.

Communicating With Our Board

You can communicate with any member of our Board by sending the communication to Cavco Industries, Inc., 1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004, to the attention of the director or directors of your choice. We relay these communications addressed in this manner as appropriate. Communications addressed to the attention of "The Board of Directors" are forwarded to the chairperson of our Audit Committee for review and further handling.

Audit Committee

Our Audit Committee is composed of three directors, Messrs. Boor, Bungler, and Greenblatt, who satisfy the independence requirements set forth in (1) Section 10A(m) of the Exchange Act and the rules adopted by the SEC thereunder and (2) applicable NASDAQ Rules. The Audit Committee functions under a charter, which was initially adopted by our Board on September 22, 2003, and was most recently amended on May 21, 2013. The Audit Committee Charter is posted on our website at [www.cavco.com](http://www.cavco.com).

The Board has determined that William C. Boor, the Chairperson of the Audit Committee, meets the definition of "Audit Committee financial expert," as such term is defined under SEC rules. Mr. Boor's qualifications are described in his biography on page 7.

The Audit Committee Charter provides that the Audit Committee shall perform the following key tasks:

• select, appoint, evaluate, retain, terminate and replace Cavco's independent auditors (subject, if the Audit Committee so determines, to stockholder ratification);

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obtain and review, at least annually, a report by Cavco's independent auditors describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues;

receive the applicable written independence disclosures required by the Public Company Accounting Oversight Board, including those disclosures required by Ethics and Independence Rule 3526 (the "Independence Report"); actively engage in a dialogue with the independent auditors with respect to any relationships or services disclosed in the Independence Report or otherwise known to the Audit Committee that may impact the objectivity or independence of the auditor, and recommend that the Board take appropriate action in response to such information to satisfy itself of the auditor's independence;

review any report made by Cavco's independent auditors pursuant to Section 10A(k) of the Exchange Act;

- confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC;
- review with the independent auditors any audit problems or difficulties and management's response; and

preapprove all auditing services, audit engagement fees and terms and permitted non-audit services provided to Cavco by its independent auditors (subject to the de minimis exceptions for certain non-audit services set forth in Section 10A(i)(1)(B) of the Exchange Act), provided that the Audit Committee may delegate to one or more subcommittees the authority to grant approvals of audit and permitted non-audit services.

The Audit Committee also reviews Cavco's corporate compliance program. The Audit Committee meets separately with the independent auditors, outside the presence of Cavco's management or other employees, to discuss matters of concern, to receive recommendations or suggestions for change and to exchange relevant views and information.

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## AUDIT FEES

The Audit Committee has adopted policies and procedures pre-approving all audit and permissible non-audit services performed by Ernst & Young LLP. Under these policies, the Audit Committee pre-approves the use of audit and specific permissible audit-related and non-audit services up to certain dollar limits. Services that do not come under this authority must be pre-approved separately by the Audit Committee. In determining whether or not to pre-approve services, the Audit Committee determines whether the service is a permissible service under the SEC's rules and, if permissible, the potential effect of such services on the independence of Ernst & Young LLP.

The aggregate fees billed for professional services by Ernst & Young LLP in the last two fiscal years are reported in the following table.

Type of Fees	Fiscal 2014	Fiscal 2013
Audit Fees	\$1,196,973	\$1,357,387
Audit-Related Fees	12,500	—
Tax Fees	347,442	371,296
All Other Fees	1,940	1,995
Total	\$1,558,855	\$1,730,678

As used in the foregoing table:

• “Audit Fees” are the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of Consolidated Financial Statements included in Cavco's Form 10-K, internal controls, and review of Consolidated Financial Statements included in Cavco's Form 10 Q quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements;

• “Audit-Related Fees” are the aggregate fees billed for each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Consolidated Financial Statements, including accounting consultations, due diligence related to business combinations, internal control reviews, and attest services that are not required by statute or regulation;

• “Tax Fees” are the aggregate fees billed for each of the last two fiscal years fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning; and

• “All Other Fees” includes the aggregate fees billed for each of the last two fiscal years for products and services provided by the principal accountant for permitted corporate finance assistance and permitted advisory services.

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Report of the Audit Committee

In accordance with its written charter, the primary function of the Audit Committee is to assist the Board in fulfilling its responsibility for oversight of: (i) the quality and integrity of Cavco Industries Inc.'s ("Cavco") accounting, auditing, and financial reporting practices and processes; (ii) the financial information to be provided to the stockholders of Cavco; (iii) the systems of disclosure controls and procedures and internal control over financial reporting established by management, the Committee and the Board; (iv) compliance with Cavco's Code of Conduct; (v) the independent auditors' qualifications and independence; (vi) the performance of Cavco's independent auditors; and (vii) the internal audit process.

Management is responsible for Cavco's financial reporting process, including the system of internal controls, and for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The independent accountants are responsible for auditing and rendering an opinion on Cavco's consolidated financial statements, as well as auditing certain aspects of Cavco's internal controls. The Audit Committee's responsibility is to monitor these processes.

In discharging its duties, the Audit Committee has: (i) reviewed and discussed Cavco's audited Consolidated Financial Statements as of and for the year ended March 29, 2014 with our management; (ii) discussed with the independent registered public accounting firm the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees; (iii) received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence; (iv) discussed with the independent registered public accounting firm such independent registered public accounting firm's independence; and (v) discussed with management critical accounting policies and the processes and controls related to the President and Chief Executive Officer and the Chief Financial Officer financial reporting certifications required by the SEC and the Sarbanes-Oxley Act of 2002 to accompany Cavco's periodic filings with the SEC. Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the Consolidated Financial Statements referred to above be included in Cavco's Annual Report on Form 10 K for the year ended March 29, 2014.

Audit Committee of the Board of Directors

William C. Boor, Chairperson

Steven G. Bunger

David A. Greenblatt

**PROPOSAL NO. 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

Ernst & Young LLP acted as Cavco's independent registered public accounting firm to audit its books and records for fiscal year 2014, and the Audit Committee has appointed Ernst & Young LLP as Cavco's independent registered public accounting firm for fiscal year 2015, subject to ratification by Cavco stockholders.

If the stockholders do not ratify the appointment, the Audit Committee will reconsider whether or not to retain Ernst & Young LLP, but still may retain them. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of Cavco and our stockholders.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting, with the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from Cavco stockholders.

**Recommendation of the Board**

The Board of Directors unanimously recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as Cavco's independent registered public accounting firm for fiscal year 2015.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The purpose of this compensation discussion and analysis (“CD&A”) is to provide information about each material element of compensation that we pay or award to, or that is earned by, our named executive officers. For fiscal year 2014, our named executive officers were Joseph H. Stegmayer, our Chairman, President and Chief Executive Officer; Daniel L. Urness, our Vice President, Treasurer and Chief Financial Officer; and Charles E. Lott, President of Fleetwood Homes.

Overview

Our executive compensation program for our named executive officers is relatively uncomplicated, consisting of cash compensation comprised of base salary and either a cash bonus or non-equity incentive compensation, as well as awards of options to purchase shares of our common stock or grants of restricted stock. Generally, we do not offer perquisites to our named executive officers. We do not have a defined benefit pension plan or any other similar retirement plan; however, our named executive officers are permitted to participate in Cavco’s 401(k) plan and other health and welfare programs that are generally available to all other full-time employees.

Compensation Committee

Our Compensation Committee of our Board (“Compensation Committee”) reviews and approves, or recommends to the Board for approval, all salary and other remuneration for our executive officers and oversees matters relating to our employee compensation and benefit programs. The Compensation Committee is comprised of David A. Greenblatt, its Chairperson, William C. Boor, and Jack Hanna. To the extent permitted by the NASDAQ Rules and applicable legal requirements, the Committee may delegate specified duties and responsibilities to a subcommittee created by a vote of a majority of the members of the Committee. Each subcommittee shall have one or more members designated by the Committee, and shall be governed by such procedures as the Committee shall determine from time to time.

No member of the Compensation Committee is an employee of Cavco. The Compensation Committee operates pursuant to a written charter that sets forth its functions and responsibilities. The Compensation Committee Charter is posted on our website at [www.cavco.com](http://www.cavco.com).

The Compensation Committee is charged with assisting the Board in:

- assessing whether the various compensation programs of Cavco are designed to attract, motivate, and retain the senior management necessary for Cavco to deliver consistently superior results and are performance based, market driven, and stockholder aligned;
- its oversight of specific incentive compensation plans adopted by Cavco, with the approval of the Compensation Committee, including stock plans and short term and long term incentive compensation plans for members of senior management of Cavco;
- its approval, review and oversight of benefit plans of Cavco; and
- its oversight of the performance and compensation of the Chief Executive Officer of Cavco and the other members of the senior management of Cavco.

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Stockholder Approval of our Compensation Decisions

At the 2013 Annual Meeting of Stockholders, Cavco's stockholders approved the advisory (non-binding) vote on executive compensation with approximately 85% of the votes cast in favor of the proposal regarding the Company's executive compensation program. The Compensation Committee considers this vote a validation of its approach to executive compensation and generally has continued its compensation processes and philosophy in making 2014 executive compensation decisions, with the exception of Mr. Stegmayer's compensation whose compensation is set pursuant to his Amended and Restated Employment Agreement.

Objectives of Cavco's Compensation Programs

Cavco's executive compensation program is structured to achieve the following objectives:

- to attract, retain and motivate highly qualified, energetic and talented executives necessary for Cavco to deliver consistently superior results;
- to create an incentive to increase stockholder returns by establishing a direct and substantial link between individual compensation and certain financial measures that have a direct effect on stockholder values; and
- to create substantial long-term compensation opportunities for individual executive officers based not only on long-term corporate performance but also on sustained long-term individual performance.

Role of Compensation Consultants

The Compensation Committee has authority to retain compensation consultants in determining or recommending executive or director compensation pursuant to its written charter (including the sole authority to approve such consultant's fees and other retention terms). The Compensation Committee did not engage a compensation consultant during fiscal year 2014.

Benchmarking

Market pay levels are one of many elements used by Cavco to maintain competitive pay opportunities for our named executive officers. For fiscal year 2014, we considered our compensation peer group for benchmarking the named executive officer's compensation to include the following industry participants: Skyline Corporation and Nobility Homes. Because manufactured housing peer group compensation data is somewhat limited, we also considered the following Arizona-based companies with whom we may compete with for executives and which were selected because, during our last fiscal year, each was publicly traded and roughly similar in size to Cavco in terms of annual revenue: Amtech Systems, Inc.; iGo, Inc.; Inventure Foods, Inc.; Limelight Networks, Inc.; Meritage Homes Corp.; Mobile Mini, Inc; Taser International; and Universal Technical Institute, Inc.

In connection with its compensation decisions for fiscal year 2014, peer group compensation information was used as guidance to ascertain whether our named executive officers' base salaries and incentive compensation programs are generally aligned with those positions in the peer group. While the Compensation Committee does review peer group compensation information, it is not the sole factor it considers in setting executive compensation. The Compensation Committee also takes into account other factors, including the responsibilities of the executive's position, an executive's compensation history, experience, performance, tenure, and Cavco's performance. The Compensation Committee did not set compensation programs to be a specified percentage above or below, or equal to, the comparable compensation for the peer group. Mr. Stegmayer's compensation is set by his Amended and Restated Employment Agreement. In setting compensation for Messrs. Lott and Urness, the Compensation Committee considered the input of the Chief Executive Officer, the historical compensation paid to such executive officers (and in the case of Mr. Lott historical compensation paid both while employed by the Company and by his predecessor company), and certain historical compensation paid to operating executives of peer companies.

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Role of Management in Establishing and Awarding Compensation

The Compensation Committee annually reviews and approves the base salary levels and incentive opportunity levels for Cavco's named executive officers. Our Chief Executive Officer, with the assistance of our Human Resources Department and General Counsel, regularly provides information and recommendations to the Compensation Committee on the performance of the Chief Financial Officer, appropriate levels and components of compensation, including equity grants, as well as such other information as the Compensation Committee may request.

Following the conclusion of a fiscal year, the Compensation Committee makes compensation awards for the named executive officers, including awards under short-term and long-term incentive compensation plans. To assist the Compensation Committee with its review, management provides the Compensation Committee with peer group performance results and compensation data and other information as requested by the Compensation Committee.

Components of Executive Compensation

In structuring the specific components of executive compensation, Cavco is guided by the following principles:

- compensation programs should be performance based, market driven and stockholder aligned;
- annual compensation should be set within reasonable ranges of the annual compensation for similar positions with similarly-sized and similar types of companies that engage in one or more of the principal businesses in which Cavco engages;
- a compensation program must have elements that are not solely performance based in order to be competitive in attracting and retaining talented executives;
- bonus payments should vary with the individual's performance and Cavco's financial performance;
- a significant portion of compensation should be in the form of long-term, equity-linked incentive compensation that aligns the interests of executives with those of the stockholders and that creates rewards for long-term sustained company performance and the achievement of Cavco's strategic objectives; and
- compensation programs should not encourage executives to take unnecessary risks.

The Compensation Committee attempts to structure its compensation programs to the named executive officers as performance-based compensation that is tax deductible. However, the Compensation Committee may award compensation that is or could become non-deductible when such awards are in the best interest of Cavco, balancing tax efficiency with long-term strategic objectives.

Base Salary

The Compensation Committee is responsible for recommending to the Board the base salary levels for the named executive officers. In developing salary amounts, the Compensation Committee conducts a general review of salaries for similar positions in our peer group. In setting base salary levels, the Compensation Committee also considers an executive's compensation history, experience, performance, tenure, and potential for significant contributions to Cavco's profitability.

Mr. Stegmayer's Amended and Restated Employment Agreement specifies base salary levels for fiscal years 2012 through 2015. Notwithstanding the foregoing, the Compensation Committee may review the base salary levels at any time and, in its sole discretion, may adjust Mr. Stegmayer's then current base salary; provided, however, that the Compensation Committee may not decrease Mr. Stegmayer's then current base salary without his prior written consent. If the term of the Amended and Restated Employment Agreement is extended, then the annual base salary of Mr. Stegmayer will be determined by the Compensation Committee in its reasonable business judgment provided that in no event may the Compensation Committee decrease the annual base salary of Mr. Stegmayer below that of any previous fiscal year during such renewal period. Mr. Stegmayer's base salary for fiscal year ended March 29, 2014 was \$500,000.

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Messrs. Lott and Urness, who do not have employment agreements, were paid base salaries of \$220,000 and \$225,000, respectively, for fiscal year ended March 29, 2014. These officer's base salaries were established by the Compensation Committee based upon their consideration of, among other things, their past base salaries, peer group analysis, and the recommendations of the CEO. See the Summary Compensation Table on page 22.

Incentive Compensation

Incentive compensation for Mr. Stegmayer is based solely upon Cavco's pre-tax income. Under the terms of Mr. Stegmayer's amended and restated employment agreement, Mr. Stegmayer was paid non-equity incentive compensation in an amount equal to (i) 5% of the first \$4 million of pre-tax income of the Company for the fiscal year, plus (ii) 6% of the next \$16 million of pre-tax income of the Company for the fiscal year, plus (iii) 3% of pre-tax income of the Company for the fiscal year above \$20 million, provided that the cash award on pre-tax income of any material assets or businesses acquired after June 30, 2011 shall be determined by the Compensation Committee in its sole judgment, in good faith, in consultation with Mr. Stegmayer. Based solely on this formula, for the fiscal year ended March 29, 2014, Mr. Stegmayer received non-equity incentive compensation in the amount of \$1,394,162. See the Summary Compensation Table on page 22.

Under Mr. Urness's plan he is eligible to receive incentive compensation based upon the Company's pre-tax income for the fiscal year ending March 30, 2013. Under the terms of his plan, Mr. Urness is eligible to receive incentive compensation equal to (i) .8% of the first \$23,000,000 in pre-tax income of the Company, (ii) .5% of pre-tax income of the Company between \$23,000,001 and \$30,000,000; and (iii) .3% of pre-tax income greater than \$30,000,000.

Based solely on this formula, for fiscal year ended March 29, 2014, Mr. Urness received non-equity incentive compensation in the amount of \$208,027. See the Summary Compensation Table on page 22.

Under Mr. Lott's incentive plan, he is eligible to receive quarterly incentive payments equal to 3.72% of the aggregate pre-tax income of the Company's seven manufactured housing factories for which he has oversight responsibility.

Based solely on this formula, for fiscal year ended March 29, 2014, Mr. Lott received non-equity incentive compensation in the amount of \$605,641. Mr. Lott is also eligible to receive a cash specific objectives-based bonus of up to \$80,000, based upon his performance in working with the Company's five Palm Harbor Homes plants to expand product offerings, increase plant efficiencies, improve marketing, and increase pre-tax profits. For fiscal year ended March 29, 2014, Mr. Lott received a cash payment of \$30,000. See the Summary Compensation Table on page 22.

Long-Term Compensation

The existing stock incentive program of Cavco, which is subject to annual review and may be revised or superseded in the future, is designed to provide incentive to the participants under such program, which include the named executive officers, to focus on maximizing Cavco's return to stockholders and to plan and prepare properly for Cavco's future. Stock options or grants of restricted stock may be granted at the fair market value on the date of the grant under the Cavco Industries, Inc. 2005 Stock Incentive Plan, as amended.

Under the terms of Mr. Stegmayer's Amended and Restated Employment Agreement, he is eligible for a supplemental long-term cash incentive consisting of (i) a special performance bonus, in the amount of up to \$1 million, conditioned upon the attainment of the following 4-year compound annual growth rate ("CAGR") performance targets, using the Company's pre-tax earnings for the four fiscal quarters ended on December 31, 2010 as a base year (i.e., calendar year 2010) compared to the four fiscal quarters ending December 31, 2014 (i.e., calendar year 2014): below 30%, vesting is 0%; 30%, vesting is 50%; 40%, vesting is 80%; and 50% and greater, vesting is 100% (the Compensation Committee will compute the vesting percentage on a pro-rata basis); and (ii) a cash award of \$3 million, conditioned upon Mr. Stegmayer's employment by the Company on December 31, 2014, subject to pay-out over time.



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On July 11, 2013, consistent with the terms of Mr. Stegmayer's Amended and Restated Employment Agreement, Cavco granted to Mr. Stegmayer a non-qualified option to purchase 23,000 shares of common stock, which has a Black-Scholes value of 100% of Mr. Stegmayer's base salary for fiscal year 2014, subject to minor rounding as provided in the Amended and Restated Employment Agreement. The grant to Mr. Stegmayer is subject to a four year pro-rata vesting schedule commencing on the first anniversary of the grant date. In determining the vesting of the awards made, the Compensation Committee followed the Company's legal obligations set forth in Mr. Stegmayer's Amended and Restated Employment Agreement.

On July 11, 2013, consistent with Cavco's objective of creating incentives for its executive officers to increase stockholder returns by establishing a direct and substantial link to executive compensation, Cavco granted non-qualified options to purchase 4,000 shares of common stock to Mr. Lott and 5,200 shares of common stock to Mr. Urness. The grant to Mr. Urness represents a Black-Scholes value of 50% of Mr. Urness' base salary for fiscal year 2014. These grants are subject to a four year pro-rata vesting schedule commencing on the first anniversary of the grant date, which is consistent with the Company's past practice and typical vesting schedule.

**Perquisites and Other Compensation**

Cavco does not offer perquisites to its named executive officers. The named executive officers may participate in Cavco's 401(k) plan and other health and welfare programs that are available to all other full-time employees.

**Employment, Severance, and Change in Control Agreements**

Mr. Stegmayer's Amended and Restated Employment Agreement provides for: (a) a term ending March 30, 2015, and is automatically extended for successive one-year periods unless the Board or Mr. Stegmayer elects not to renew the term by notice to the other at least 90 days prior to the end of the then current term; (b) a base annual salary of \$500,000 for fiscal years 2014 and 2015, subject to periodic review and adjustment by the Compensation Committee, but in no event can the base salary be reduced without Mr. Stegmayer's consent; (c) non-equity incentive compensation in an amount equal to (i) 5% of the first \$4 million of pre-tax income of the Company for the fiscal year, plus (ii) 6% of the next \$16 million of pretax income of the Company for the fiscal year, plus (iii) 3% of pretax income of the Company for the fiscal year above \$20 million, provided that the cash award on pretax earnings of any material assets or businesses acquired after June 30, 2011 shall be determined by the Compensation Committee in its sole judgment, in good faith, in consultation with Mr. Stegmayer; (d) supplemental long-term cash incentive consisting of (i) a special performance bonus, in the amount of up to \$1 million, conditioned upon the attainment of the following 4-year CAGR performance targets, using the Company's pre-tax earnings for the four fiscal quarters ended on December 31, 2010 as a base year (i.e., calendar year 2010) compared to the four fiscal quarters ending December 31, 2014 (i.e., calendar year 2014): below 30%, vesting is 0%; 30%, vesting is 50%; 40%, vesting is 80%; and 50% and greater, vesting is 100% (the Compensation Committee will compute the vesting percentage on a pro-rata basis); and (ii) a cash award of \$3 million, conditioned upon Mr. Stegmayer's employment by the Company on December 31, 2014, subject to the exceptions discussed below; and (e) an annual grant of options to acquire shares of the Common Stock of the Company, the value of which shall equal 100% of Mr. Stegmayer's then base salary using the Black-Scholes option value model (vesting criteria and vesting timing shall be at the sole discretion of the Compensation Committee). The special performance bonus is to be paid as soon as practicable after the Company files its financial statements for the quarter ending December 31, 2014 with the SEC (but no later than February 28, 2015) upon confirmation by the Compensation Committee of achievement of the performance target(s). The cash award of \$3 million is payable in \$500,000 increments as follows: \$500,000 (together with simple interest at 5% per annum on the unpaid balance) between January 1 and January 30 in each of the years 2015 through 2020.

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Mr. Stegmayer's Amended and Restated Employment Agreement includes provisions for certain payments to be made upon his termination or resignation. If Cavco terminates Mr. Stegmayer's employment and such termination constitutes a Termination for Cause (as defined in the employment agreement), or if Mr. Stegmayer voluntarily resigns prior to the occurrence of a Change in Control (as defined in the employment agreement) of Cavco and such resignation does not constitute a Termination for Good Reason (as defined in the employment agreement), then Mr. Stegmayer is entitled to receive only his then current base salary on a pro rata basis to the date of such termination or resignation. If prior to the occurrence of a Change of Control, Mr. Stegmayer dies or becomes Disabled (as defined in the employment agreement), or if Cavco terminates his employment and such termination constitutes a Termination Without Cause or Mr. Stegmayer terminates his employment and such termination constitutes a Termination for Good Reason, then Mr. Stegmayer shall be entitled to the following: (a) continued payment of his then current base salary for each fiscal year under the remaining term of the employment agreement plus one year following the expiration of the term; (b) a single lump sum cash payment in an amount equal to two times his Average Annual Bonus (as defined in the employment agreement) for the preceding two fiscal years; and (c) continued health insurance benefits for a period of 18 months. If within two years after the occurrence of a Change in Control of Cavco: (a) Cavco terminates Mr. Stegmayer's employment and such termination constitutes a Termination Without Cause; or (b) Mr. Stegmayer voluntarily resigns his employment for any reason, then in each case Cavco must pay to Mr. Stegmayer a lump sum termination payment equal to two times the sum of his then current base salary and Average Bonus.

The Amended and Restated Employment Agreement also provides that Mr. Stegmayer will not disclose any confidential information of the Company during or after the term of the agreement.

During his employment with the Company and for a period of two years following his resignation or termination (and in no event for a period of less than four years from the effective date of the employment agreement), Mr. Stegmayer is precluded from engaging in any business or associating with any entity that is actively engaged in any competitive business with the Company or any of its affiliates, in any geographic area in which the Company conducts business or sells products.

In the event of a Termination Without Cause (as defined in the employment agreement) prior to December 31, 2014, Mr. Stegmayer may elect, immediately after such discharge by written notice which, to be effective, must be received by the Company on or before the tenth day after such discharge, to forego the long-term cash incentives described above, in which case the non-compete provisions described in the previous paragraph will be null and void.

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The table below reflects the amount of compensation that would have been payable to Mr. Stegmayer in the event of termination of his employment, as provided in the Amended and Restated Employment Agreement. The amounts shown assume that termination was effective as of March 29, 2014, and are estimates of the amounts that would have been paid to Mr. Stegmayer upon his termination. The actual amounts that would be payable can be determined only at the time of termination. We have not included below any accrued but unpaid salary or payment of accrued and vested benefits and unused vacation time, as those amounts would be paid in the event of termination of employment for any reason. Equity awards that are not subject to acceleration and the value of health benefits, which is nominal, are not included below.

Executive Benefits and Payments Upon Termination	Termination for Cause or Voluntary Resignation prior to Change in Control	Termination without Cause prior to a Change in Control; or Resignation by Executive for Good Reason; or if Executive Dies or Becomes Disabled	Termination without Cause or Voluntary Resignation within Two Years after a Change in Control
Base Salary	\$19,230	\$1,019,230	\$1,019,230
Bonus	—	\$1,969,460	\$1,969,460
CAGR Bonus	—	\$1,000,000	\$1,000,000
\$3 Million Cash Bonus	—	\$3,000,000	\$3,000,000
Total:	\$19,230	\$6,988,690	\$6,988,690

We do not have written or oral employment, severance or change in control agreements with Messrs. Urness and Lott. Compensation Policies and Practices as they relate to Risk Management

The Compensation Committee believes that our compensation policies and practices do not encourage excessive and unnecessary risk-taking, and that the level of risk that the policies and practices do encourage is not reasonably likely to have a material adverse effect on the Company.

The Compensation Committee has reviewed Cavco's compensation policies and practices for its employees as they relate to risk management and has determined that such policies and practices are not reasonably likely to have a material adverse effect on Cavco.

#### Compensation Committee Report

The Compensation Committee of Cavco has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and included in the Proxy Statement for the 2014 Annual Meeting of Stockholders. Based on such review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

#### Compensation Committee of the Board of Directors

David A. Greenblatt, Chairperson

William C. Boor

Jack Hanna

#### Compensation Committee Interlocks and Insider Participation

There were no interlocking relationships between Cavco and other entities that might affect the determination of the compensation of our executive officers.

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## SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid or earned by Messrs. Stegmayer, Urness and Lott for fiscal years 2014, 2013 and 2012, respectively:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive	Option Awards (\$ (1))	All Other Compensation (\$ (2))	Total (\$)
Joseph H. Stegmayer, Chairman of the Board, President and Chief Executive Officer	2014	500,000	—	1,394,162	517,730	1,151	2,413,043
	2013	450,000	—	958,887	475,545	1,151	1,885,583
	2012	400,000	200,000	1,010,573	414,675	1,338	2,026,586
Daniel L. Urness, Vice President, Treasurer and Chief Financial Officer	2014	225,000	—	208,027	117,052	1,151	551,230
	2013	210,000	—	199,722	110,637	1,151	521,510
	2012	200,000	120,000	240,000	103,208	1,338	664,546
Charles E. Lott, President, Fleetwood Homes, Inc.	2014	220,000	30,000	605,641	90,040	1,222	946,903
	2013	220,000	—	283,992	—	1,222	505,214
	2012	204,000	—	188,914	147,440	1,342	541,696

Amounts in this column represent the aggregate grant date fair value computed in accordance with ASC 718. We (1) describe the assumptions made in this valuation in Note 15 to the Consolidated Financial Statements in the 2014 Form 10-K.

(2) Amounts in this column represent short-term disability, long-term disability, life insurance premiums, and 401(k) match paid by Cavco.

## GRANTS OF PLAN-BASED AWARDS TABLE

The following table sets forth certain information with respect to the options and stock granted during the fiscal year ended March 29, 2014 to named executive officers listed in the Summary Compensation Table.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards (2)
Joseph H. Stegmayer	July 11, 2013	23,000 (1)	\$52.96	\$517,730
Daniel L. Urness	July 11, 2013	5,200 (1)	\$52.96	\$117,052
Charles E. Lott	July 11, 2013	4,000 (1)	\$52.96	\$90,040

(1) These options vest twenty-five percent on the first anniversary of the grant date and twenty-five percent on each anniversary thereafter until fully vested.

(2) Amounts in this column represent the aggregate grant date fair value computed in accordance with ASC 718.

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## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table includes certain information with respect to the value of all unexercised options awards previously awarded to the executive officers named above at the fiscal year end, March 29, 2014.

## OPTION AWARDS

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Joseph H. Stegmayer	56,000	24,000 (1)	25.33	6/30/16
	34,875	11,625 (2)	36.02	5/21/17
	11,250	11,250 (2)	45.00	6/30/18
	6,125	18,375 (2)	44.28	6/5/19
Daniel L. Urness	—	23,000 (2)	52.96	7/11/20
	5,000	—	38.16	6/1/14
	10,000	—	32.00	7/10/15
	14,000	6,000 (1)	25.33	6/30/16
	5,250	1,750 (2)	36.02	5/21/17
	2,800	2,800 (2)	45.00	6/30/18
Charles E. Lott	1,425	4,275 (2)	44.28	6/5/19
	—	5,200 (2)	52.96	7/11/20
	4,000	4,000 (2)	45.00	6/30/18
	—	4,000 (2)	52.96	7/11/20

(1) Of the initial options granted, ten percent vest on the second anniversary of the grant date, and thirty percent vest on each anniversary thereafter until fully vested.

(2) Of the initial options granted, twenty-five percent vest on the first anniversary of the grant date and twenty-five percent vest on each anniversary thereafter until fully vested.

## OPTION EXERCISES

No options were exercised by the executive officers named above during the fiscal year ended March 29, 2014.

## PROPOSAL 3: ADVISORY VOTE ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) enables the Company’s stockholders to vote on an advisory (non-binding) basis regarding the compensation of the Company’s named executive officers (commonly referred to as “Say on Pay”). For a comprehensive description of our executive compensation program and compensation philosophy, please refer to the Company’s CD&A beginning on page 15. Although the advisory vote is non-binding, the Compensation Committee and the Board will review the results of the vote and consider the outcome when making future decisions concerning our executive compensation program. In deciding how to vote on this proposal, the Board points out the following factors, many of which are more fully discussed in the CD&A:

• Our executive compensation programs are designed to depend significantly on the achievement of performance goals that the Committee believes drive long-term stockholder value;

• Our pay practices are designed not to encourage management to take unacceptable risks;



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• Our Compensation Committee reviews peer group compensation to confirm that our programs are not outside the norm among peer group companies (See “Benchmarking” on page 16); and  
• We believe the Company’s executive compensation programs are well suited to promote the Company’s objectives in both the short and long-term.

Recommendation of the Board

The Board of Directors believes that the compensation of our Named Executive Officers is appropriate and recommends a vote “FOR” the following advisory resolution:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the related compensation tables, notes and narrative set forth in this proxy statement.

GENERAL

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Cavco directors and executive officers, and persons who beneficially own more than 10% of a registered class of Cavco’s equity securities, to file initial reports of ownership, reports of changes in ownership and annual reports of ownership with the SEC and NASDAQ. Such persons are required by SEC regulations to furnish Cavco with copies of all Section 16(a) reports that they file with the SEC.

Based solely on its review of the copies of such reports received by it with respect to fiscal year 2014 or written representations from certain reporting persons, Cavco believes that its directors, executive officers and persons who beneficially own more than 10% of a registered class of Cavco’s equity securities have complied with the filing requirements of Section 16(a) for fiscal year 2013 applicable to such persons.

Certain Relationships and Related Transactions

Transactions with Related Persons

We have entered into Change of Control Agreements with certain of our executive officers. See above under “Compensation Discussion and Analysis – Employment, Severance and Change of Control Arrangements.”

Review, Approval or Ratification of Transactions with Related Persons

Cavco has established policies and other procedures regarding approval of transactions between Cavco and any employee, officer, director, and certain of their family members and other related persons, including those required to be reported under Item 404 of Regulation S-K. These policies and procedures are generally not in writing, but are evidenced by long standing principles set forth in our code of conduct or adhered to by our Board. As set forth in the Audit Committee Charter, as and to the extent required under applicable federal securities laws and related rules and regulations, and/or the NASDAQ Rules, related party transactions are to be reviewed and approved, if appropriate, by the Audit Committee. Generally speaking, we enter into such transactions only on terms that we believe are at least as favorable to Cavco as those that we could obtain from an unrelated third party.

Code of Conduct

Cavco has adopted a code of conduct that applies to Cavco directors and all employees, including Cavco’s Chief Executive Officer, Chief Financial Officer and Controller. Cavco’s code of conduct is designed to deter wrongdoing and to promote:

• honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;



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full, fair, accurate, timely and understandable disclosure in reports and documents that Cavco files with, or submits to, the SEC and in other public communications made by Cavco;

- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the code of conduct to an appropriate person or persons identified in the code of conduct; and
- accountability for adherence to the code of conduct.

Cavco has posted the text of its code of conduct on its Internet website at [www.cavco.com](http://www.cavco.com). Cavco's code of conduct will remain accessible on its Internet website. However, if Cavco ever desires to remove its code of conduct from its Internet website, then, prior to such removal, Cavco will either file its code of conduct as an exhibit to its Annual Report on Form 10-K filed with the SEC or will undertake to provide a copy of the code of conduct to any person without charge.

Form 10-K

Stockholders entitled to vote at the annual meeting may obtain a copy of Cavco's Annual Report on Form 10-K for the fiscal year ended March 29, 2014, including the Consolidated Financial Statements, required to be filed with the SEC, without charge, upon written or oral request to Cavco Industries, Inc., Attention: James P. Glew, Secretary, 1001 North Central Avenue, Suite 800, Phoenix, Arizona, 85004, (800) 790-9111.

Stockholder Proposals

To be considered for inclusion in next year's proxy statement, stockholder proposals, submitted in accordance with the SEC's Rule 14a-8, must be received at Cavco's principal executive offices, addressed to the attention of the Secretary, no later than the close of business on February 11, 2015.

For any proposal that is not submitted for inclusion in Cavco's proxy material for the 2015 Annual Meeting of Stockholders but is instead sought to be presented directly at that meeting, Rule 14a-4(c) under the Exchange Act permits Cavco's management to exercise discretionary voting authority under proxies it solicits unless Cavco is notified about the proposal no earlier than January 23, 2015 and no later than April 23, 2015, and the stockholder submitting the proposal satisfies the other requirements of Rule 14a-4(c). Cavco's bylaws further provide that, to be considered at the 2015 Annual Meeting, a stockholder proposal relating to the nomination of a person for election as a director must be submitted in writing and received by the Secretary at the principal executive offices of Cavco no earlier than January 23, 2015 and no later than April 23, 2015, and must contain the information required by Cavco's bylaws. Any stockholder wishing to receive a copy of Cavco's bylaws should direct a written request to the Secretary at Cavco's principal executive offices.

Cavco Website

In this proxy statement, we state that certain information and documents are available on the Cavco website. These references are merely intended to suggest where additional information may be obtained by our stockholders, and the materials and other information presented on our website are not incorporated in and should not otherwise be considered part of this proxy statement.

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**Incorporation of Certain Documents By Reference**

The SEC allows us to “incorporate by reference” the information in certain documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this proxy statement, and information that we subsequently file with the SEC prior to the Annual Meeting will automatically update and supersede this information. This proxy statement incorporates by reference the Annual Report of Cavco on Form 10-K for the fiscal year ended March 29, 2014, filed with the SEC on June 11, 2014 pursuant to the Exchange Act, which contains audited financial statements of Cavco for the fiscal year ended March 29, 2014, and which is being distributed to stockholders with this proxy statement and any future filings we make with the SEC prior to the Annual Meeting under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act:

You may obtain a copy of these documents (other than exhibits to such documents), at no cost, upon written or oral request to Cavco Industries, Inc., Attention: James P. Glew, Secretary, 1001 North Central Avenue, Suite 800, Phoenix, Arizona, 85004, (800) 790-9111.

**Where You Can Find More Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information filed by us at the SEC’s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of these reports, proxy statements and other documents at the SEC’s website, the address of which is <http://www.sec.gov>.

By Order of the Board of Directors

JAMES P. GLEW  
Secretary



