Guggenheim Enhanced Equity Income Fund (f/k/a Old Mutual/Claymore Long-Short Fund)
Form N-CSRS
September 03, 2014

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21681

Guggenheim Enhanced Equity Income Fund
(Exact name of registrant as specified in charter)

227 West Monroe Street, Chicago, IL 60606
(Address of principal executive offices) (Zip code)

Amy J. Lee
227 West Monroe Street, Chicago, IL 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 827-0100

Date of fiscal year end: December 31

Date of reporting period: January 1, 2014 through June 30, 2014

Item 1. Reports to Stockholders.

The registrant's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the “Investment Company Act”), is as follows:

GUGGENHEIMINVESTMENTS.COM/GPM

... YOUR LINK TO THE LATEST, MOST UP-TO-DATE INFORMATION ABOUT
GUGGENHEIM ENHANCED EQUITY INCOME FUND

The shareholder report you are reading right now is just the beginning of the story. Online at guggenheiminvestments.com/gpm, you will find:

- Daily, weekly and monthly data on share prices, distributions and more
- Portfolio overviews and performance analyses
- Announcements, press releases and special notices
- Fund and adviser contact information

Guggenheim Partners Investment Management, LLC and Guggenheim Funds Investment Advisors, LLC are constantly updating and expanding shareholder information services on the Fund's website in an ongoing effort to provide you with the most current information about how your Fund's assets are managed and the results of our efforts. It is just one more small way we are working to keep you better informed about your investment in the Fund.

June 30, 2014

DEAR SHAREHOLDER

We thank you for your investment in the Guggenheim Enhanced Equity Income Fund (the "Fund"). This report covers the Fund's performance for the six-month period ended June 30, 2014.

The Fund's primary investment objective is to seek a high level of current income and gains with a secondary objective of long-term capital appreciation.

For the six months ended June 30, 2014, the Fund provided a total return based on market price of 13.12% and a total return net of fees based on net asset value ("NAV") of 5.12%. All Fund returns cited—whether based on NAV or market price—assume the reinvestment of all distributions. Past performance does not guarantee future results. NAV performance data reflects fees and expenses of the Fund.

On June 30, 2014, the Fund's closing market price of $9.51 per share represented a premium of 0.42% to its NAV of $9.47 per share. The market price of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV. Past performance is not a guarantee of future results.

In March and June of 2014, the Fund paid a distribution of $0.24, continuing a practice in effect since June 2009. The most recent distribution represents an annualized distribution rate of 10.09% based on the Fund's closing market price of $9.51 as of June 30, 2014. Distributions may include ordinary income, realized gains and/or return of capital. The final determination of the tax character of distributions paid by the Fund in 2014 will be reported to shareholders in January 2015.

Guggenheim Funds Investment Advisors, LLC ("GFIA" or the "Adviser") serves as the investment adviser to the Fund. Guggenheim Partners Investment Management, LLC ("GPIM" or the "Sub-Adviser") serves as the Fund's investment sub-adviser and is responsible for the management of the Fund's portfolio of investments. Each of the Adviser and the Sub-Adviser is an affiliate of Guggenheim Partners, LLC ("Guggenheim"), a global diversified financial services firm.

GPIM seeks to achieve the Fund's investment objective by obtaining broadly diversified exposure to the equity markets, currently through a portfolio of exchange-traded funds ("ETFs"), and utilizing a covered call strategy which follows GPIM's proprietary dynamic rules-based methodology pursuant to which the Fund sells (writes) covered call options on all or a portion of the securities held in the Fund's portfolio. The Fund seeks to generate income and gains through underlying equity security performance, dividends paid on securities owned by the Fund, and cash premiums received from selling (writing) covered call options.

As part of GPIM's strategy, the Fund utilizes financial leverage. The goal of the use of financial leverage is to enhance shareholder value, consistent with the Fund's investment objective, and to seek to provide superior risk-adjusted returns. The Fund's use of financial leverage is intended to be flexible in nature and is monitored and adjusted, as appropriate, on an ongoing basis by GFIA and GPIM. The Fund may utilize financial leverage up to the limits imposed by the Investment Company Act of 1940, as amended (the "1940 Act"). Under current market conditions, the Fund intends to utilize financial leverage in an amount generally not to exceed 30% of the Fund's total assets (including the proceeds of such financial leverage) at the time utilized. The Fund employs financial leverage through a line of credit with a major European bank. As of June 30, 2014, the amount of leverage was approximately 20% of the

Fund's total assets.

We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan ("DRIP"), which is described in detail on page 24 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the quarterly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund's common shares is at a premium above NAV, the DRIP reinvests participants' dividends in newly-issued common shares at the greater of NAV per share or 95% of the market price per share. The DRIP provides a cost-effective means to accumulate additional shares and enjoy the potential benefits of compounding returns over time.

To learn more about the Fund's performance and investment strategy for the six months ended June 30, 2014, we encourage you to read the Questions & Answers section of the report, which begins on page 5.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund's website at guggenheiminvestments.com/gpm.

Sincerely,

Donald C. Cacciapaglia
Chief Executive Officer
Guggenheim Enhanced Equity Income Fund

July 31, 2014

QUESTIONS & ANSWERS June 30, 2014

The Guggenheim Enhanced Equity Income Fund (the "Fund") is managed by a team of seasoned professionals at Guggenheim Partners Investment Management, LLC ("GPIM" or the "Sub-Adviser"). This team includes B. Scott Minerd, Global Chief Investment Officer; Anne Bookwalter Walsh, CFA, JD, Assistant Chief Investment Officer; Farhan Sharaff, Assistant Chief Investment Officer, Equities; Jayson Flowers, Senior Managing Director; and Jamal Pesaran, CFA, Portfolio Manager. In the following interview, the investment team discusses the market environment and the Fund's performance for the six-month period ended June 30, 2014.

Please describe the Fund's investment objective and explain how GPIM's investment strategy seeks to achieve it.
The Fund's investment objective is to seek a high level of current income and gains with a secondary objective of long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities.

GPIM seeks to achieve the Fund's investment objective by obtaining broadly diversified exposure to the equity markets and utilizing a covered call strategy developed by GPIM pursuant to which the Fund sells (writes) covered call options on all or a portion of the securities held in the Fund's portfolio. The Fund may seek to obtain exposure to equity markets through investments in exchange-traded funds or other investment funds that track equity market indices, through investments in individual equity securities and/or through derivative instruments that replicate the economic characteristics of exposure to equity securities or markets. To the extent GPIM's equity exposure strategy is implemented through investment in broad-based equity exchange-traded funds or other investment funds or instruments, the Fund's portfolio may comprise fewer holdings. At present, the Fund obtains exposure to equity markets by investing primarily in a portfolio of exchange-traded funds.

The Fund seeks to generate income and gains through underlying equity security performance, dividends paid on securities owned by the Fund, and cash premiums received from selling (writing) covered call options. The Fund has the ability to write call options on indices and/or securities, which will typically be at or out of the money. GPIM's strategy typically targets one month options, although options of any strike price or maturity may be utilized. Although the Fund will receive premiums from the options written, by writing a covered call option, the Fund forgoes any potential increase in value of the underlying securities above the strike price specified in an option contract through the expiration date of the option. To the extent GPIM's strategy seeks to achieve broad equity exposure through a portfolio of common stocks, the Fund would hold a diversified portfolio of stocks.

As part of GPIM's strategy, the Fund utilizes financial leverage. The goal of financial leverage is to enhance shareholder value, consistent with the Fund's investment objective, and to seek to provide superior risk-adjusted returns. The Fund may utilize financial leverage up to the limits imposed by the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's use of financial leverage is intended to be flexible in nature and is monitored on an ongoing basis by Guggenheim Funds Investment Advisers, LLC ("GFIA" or the "Adviser") and GPIM and adjusted, as appropriate, by GPIM. Under current market conditions, the Fund intends to utilize financial leverage in an amount generally not to exceed 30% of the Fund's total assets (including the proceeds of such financial leverage) at the time utilized. The Fund employs financial leverage through a line of credit with a major European bank. Use of financial leverage creates an opportunity for increased income and capital appreciation but, at the same time, creates special risks. There can be no assurance that a leveraging strategy will be successful. Financial leverage may cause greater changes in the Fund's net asset value and returns than if leverage had not been used.

Please provide an overview of the economic and market environment during the six months ended June 30, 2014.
Economic growth hit a winter soft patch in the first quarter of 2014, but strong underlying fundamentals helped the economy strengthen in the second quarter. The economy is adding an average of 214,000 jobs per month in 2014, while the housing market is being helped by an improving labor market, subdued mortgage rates and tight inventory. State and local government spending is positive for growth for the first time in five years. After the period end, minutes released from the U.S. Federal Reserve Board (the "Fed" and Federal Open Market Committee) June meeting indicated a clear end-date for its quantitative easing program—October 2014—following reductions that began in January of the Fed's monthly purchases of U.S. Treasury securities and mortgage-backed securities.

Overseas political concerns, European monetary policy and devaluation of the Chinese currency combined in the period to help push global investors into U.S. Treasuries, driving rates lower. As growth accelerates in the U.S., rates are expected to climb, but the upward pressure on rates from economic growth could be offset by increasing overseas demand and falling debt issuance by the U.S. government, putting a cap on how far rates can rise before the Fed begins tightening.

Recent economic data suggest that growth is improving slowly in the euro zone core and even more so in the peripheral countries. The European Central Bank has enacted further monetary easing, which is expected to push both yields and the euro lower, supporting the recovery. Asia is seeking an export-led rebound, although more monetary accommodation may be needed to sustain Japan's economic expansion. Recent reforms in China are having a positive effect, but policymakers continue to depreciate the currency to help maintain export competitiveness.

Global central banks continue to flood markets with abundant liquidity. A synchronous global expansion is beginning to take hold, creating a positive environment for risk assets. We are approaching the speculative phase of the bull market in both equity and credit. Equities continue to benefit from an improving economy and continued capital flows into the U.S. Credit spreads continue to remain tight in the near term. Historically, spreads don't begin to widen until defaults rise, which typically takes place one to two years after the Fed begins a tightening cycle.

How did the Fund perform for the six months ended June 30, 2014?
For the six months ended June 30, 2014, the Fund provided a total return based on market price of 13.12% and a total return net of fees based on net asset value ("NAV") of 5.12%. All Fund returns cited—whether based on NAV or market price—assume the reinvestment of all distributions. Past performance does not guarantee future results. NAV performance data reflects fees and expenses of the Fund.

On June 30, 2014, the Fund's closing market price of $9.51 per share represented a premium of 0.42% to its NAV of $9.47 per share. As of December 31, 2013, the closing market price of $8.85 per share was a 6.55% discount to the NAV of $9.47 per share. The market price of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV. Past performance is not a guarantee of future results.

In March and June of 2014, the Fund paid a distribution of $0.24, continuing a practice in effect since June 2009. The most recent distribution represents an annualized distribution rate of 10.09% based on the Fund's closing market price of $9.51 as of June 30, 2014. Distributions may include ordinary income, realized gains and/or return of capital. The final determination of the tax character of distributions paid by the Fund in 2014 will be reported to shareholders in January 2015. The distribution rate of the Fund exceeded the dividend rate of the S&P 500, which is approximately 2%.

Compared with the Fund's six-month price return of 13.12%, the S&P 500 Index returned 7.14% and the CBOE S&P 500 BuyWrite Index ("BXM") returned 5.66%.

What decisions had the greatest effect on the Fund's performance?
The rise in U.S. equities drove the Fund higher with the underlying market move a positive.

The S&P 500 Index was up 7.14% over the first half 2014, outperforming the Dow Jones Industrial Average, up 2.53%, and the small-cap index, the Russell 2000, which was 3.26% higher. Security selection for the Fund was negative as a result with the Fund allocating an average of 60% to the S&P over the first half, with the balance in other broad domestic market equity indices.

The Fund's derivative use was neutral for the period, which in the context of a rising market with low implied volatilities was a positive. Calls sold on indices other than the S&P 500 offset losses on calls written against the higher-rising S&P 500 Index.

The Fund had to contend with the combination of a steadily rising market with very low realized volatility. This led the level of equity implied volatility to drift dramatically lower over the period, with the VIX hitting a low of 10.34 in June 2014—its lowest level in seven years. Selling call options in such an environment is challenging for the strategy because low levels of implied volatility lead to low option premiums.

The low volatility environment came about despite the Fed starting to taper its program of asset purchases. Yields on Treasury securities remained low, with the U.S. Government 10-year rate falling from near 3% at the start of 2014 to near 2.5% by the end of the second quarter. It would appear that the attractiveness of U.S. yields relative to Europe and Asia outweighed the taper impact. A reduction in rates with a corresponding decline in rate volatility caused by excess liquidity led to a decrease in equity volatility.

Realized correlations were notably low in the first half—as reflected in the movement of the S&P 500 versus the Russell 2000 and Dow Jones Industrial Average. The level of realized correlation among the S&P 500 constituents fell to 15 in June, compared with a historical average closer to 35 and a level closer to 80 during the financial crisis. For a covered call portfolio, the decline in correlation combined with an extremely low level of implied volatility creates explicit challenges.

A notable challenge for the strategy during the first half, as indicated, was the weakness in allocations outside the S&P 500, notably to small cap equities. As challenging in the context of a covered call portfolio was the sharp snapback in these indices at the end of the half with the derivatives capping upsides as sharp rallies occurred.

Can you discuss the impact of leverage in the Fund?
Leverage was also a positive contributor to performance for the period, as it typically is when the market is rising steadily. Our approach to leverage is dynamic, and we tend to increase leverage where implied volatility levels are attractive and decrease leverage when implied volatility is less attractive. This dynamic approach means that, when volatility is low, the Fund limits the potential for leverage to hurt the portfolio if the market has a significant drop. However, the lower leverage may mean the Fund misses some of the positive impact leverage can deliver if the underlying market continues to move higher.

The Fund employs financial leverage through the use of a bank line of credit, generally maintaining leverage not to exceed 30% of the Fund's total assets. As of June 30, 2014, the Fund's leverage was 20.0% of the Fund's total assets, compared with 25.3% as of December 31, 2013. There is no guarantee that the Fund's leverage strategy will be successful, and the Fund's use of leverage may cause the Fund's NAV and market price of common shares to be more volatile.

Index Definitions

Indices are unmanaged, reflect no expenses and it is not possible to invest directly in an index.

The CBOE (Chicago Board Options Exchange) S&P 500 BuyWrite Index (BXM) is a benchmark index designed to show the hypothetical performance of a portfolio that purchases all the constituents of the S&P 500 Index and then sells at-the-money (meaning same as purchase price) calls of one-month duration against those positions.

The CBOE Volatility Index, often referred to as the VIX (its ticker symbol), the fear index or the fear gauge, is a measure of the implied volatility of S&P 500 Index options. It represents a measure of the market's expectation of stock market volatility over the next 30 day period. Quoted in percentage points, the VIX represents the expected daily movement in the S&P 500 Index over the next 30-day period, which is then annualized.

The Dow Jones Industrial AverageSM is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The Russell 2000® Index measures the performance of the small-cap value segment of the U.S. equity universe.

The S&P 500 is an unmanaged, capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Risks and Other Considerations

The views expressed in this report reflect those of the portfolio managers only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any kind. The material may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass.

There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. Risk is inherent in all investing, including the loss of your entire principal. Therefore, before investing you should consider the risks carefully.

Please see guggenheiminvestments.com/gpm for a detailed discussion about Fund risks and considerations.

FUND SUMMARY (Unaudited) June 30, 2014

Fund Statistics	
Share Price	$9.51
Common Share Net Asset Value	$9.47
Premium/(Discount) to NAV	0.42%
Net Assets ($000)	$180,597

Total Returns(1) (Inception 8/25/05)	Market	NAV
Six Months	13.12%	5.12%
One Year	19.78%	17.76%
Three Year - average annual	11.26%	10.65%
Five Year - average annual	16.34%	11.16%
Since Inception - average annual	2.59%	2.22%

Performance data quoted represents past performance, which is no guarantee of future results and current performance may be lower or higher than the figures shown. NAV performance data quoted reflects the total net expense ratio, which includes net operating expenses, and interest expense. For the most recent month-end performance figures, please visit guggenheiminvestments.com/gpm. The investment return and principal value of an investment will fluctuate with changes in the market conditions and other factors so that an investor's shares, when sold, may be worth more or less than their original cost.

Long-Term Holdings	% of Long-Term Investments
SPDR S&P 500 ETF Trust	52.5%
SPDR Dow Jones Industrial Average ETF Trust	21.0%
PowerShares QQQ Trust, Series 1	10.7%
SPDR S&P MidCap 400 ETF Trust	5.3%
ProShares Ultra S&P 500 Fund	5.3%
Energy Select Sector SPDR Fund	2.6%
Financial Select Sector SPDR Fund	2.6%

Portfolio composition and holdings are subject to change daily. For more information, please visit guggenheiminvestments.com/gpm. The above summaries are provided for informational purposes only and should not be viewed as recommendations. Past performance does not guarantee future results.

(1) Performance prior to June 22, 2010, under the name Old/Mutual Claymore Long-Short Fund was achieved through an investment strategy of a long-short strategy and an opportunistic covered call writing strategy by the previous investment sub-adviser, Analytic Investors, LLC, and factors in the Fund's fees and expenses.

All or a portion of the above distributions may be characterized as a return of capital. For the year ended December 31, 2013 approximately 28% of the distributions were characterized as return of capital. As of June 30, 2014, 0% of the distributions were estimated to be characterized as return of capital. The final determination of the tax character of

the distributions paid by the Fund in 2014 will be reported to shareholders in January 2015.

Fund Breakdown	% of Net Assets
Long-Term Investments	124.8%
Short-Term Investment	0.6%
Total Investments	125.4%
Total Value of Options Written	-0.5%
Liabilities in excess of Other Assets	0.0%*
Borrowings	-24.9%
Total Net Assets	100.0%

* Less than 0.1%

PORTFOLIO OF INVESTMENTS (Unaudited) June 30, 2014

Number of Shares	Description	Value
	Long-Term Investments – 124.8%	
	Exchange Traded Funds (a) – 124.8%	
59,400	Energy Select Sector SPDR Fund	$ 5,945,940
260,100	Financial Select Sector SPDR Fund	5,914,674
256,100	PowerShares QQQ Trust, Series 1	24,050,351
103,000	ProShares Ultra S&P 500 ETF	11,925,340
281,300	SPDR Dow Jones Industrial Average ETF Trust	47,227,457
605,100	SPDR S&P 500 ETF Trust	118,430,172
45,900	SPDR S&P MidCap 400 ETF Trust	11,959,704
	(Cost $224,454,192)	225,453,638
	Short-Term Investments – 0.6%	
	Money Market Fund – 0.6%	
980,928	Dreyfus Treasury Prime Cash Management – Institutional Shares	
	(Cost $980,928)	980,928
	Total Investments – 125.4%	
	(Cost $225,435,120)	226,434,566
	Liabilities in excess of Other Assets – 0.0%*	(16,052)
	Total Value of Options Written – (0.5%) (Premiums received $1,037,221)	(821,454)
	Borrowings – (24.9% of Net Assets or 19.9% of Total Investments)	(45,000,000)
	Net Assets – 100.0%	$ 180,597,060

Contracts (100 shares	
	We completed the acquisition of certain manufactured housing assets and liabilities of Fleetwood in fiscal year 2010 and of Palm Harbor in fiscal year 2012. Also in fiscal year 2012, we purchased all of the outstanding shares of CountryPlace

and Standard
Casualty.

On March 30, 2015, we completed the purchase of the business and operating assets of Chariot Eagle, Inc., a Florida based manufacturer of park model RVs and manufactured homes. On May 1, 2015, Cavco acquired certain assets and liabilities of Fairmont Homes. Fairmont Homes is a builder of manufactured and modular homes and park model RVs with manufacturing plants in Indiana and Minnesota.

We may consider other strategic acquisitions if such opportunities arise. The Fleetwood, Palm Harbor, Chariot Eagle and Fairmont Homes transactions, and other acquisitions that we may consider in the future, involve a number of risks, including the diversion of our management's attention from our existing business for those transactions that we complete, or possible adverse effects on our operating results during the integration process and on our liquidity. In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage the operations or employees of Fairmont Homes and Chariot Eagle or potential future acquisitions. We also may not be able to maintain uniform standards, controls, procedures and policies, which may lead to financial losses.

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Our involvement in vertically integrated lines of business, including manufactured housing consumer finance, commercial finance and insurance, exposes the Company to certain risks

CountryPlace offers conforming mortgages, non-conforming mortgages, and chattel loans to purchasers of factory-built homes sold by Company-owned retail sales centers and independent retailers, builders, communities and developers. CountryPlace is an approved seller/servicer with Fannie Mae and Freddie Mac, is approved by HUD to originate FHA-insured mortgages under its Direct Endorsement program, and is approved to issue Ginnie Mae mortgage-backed securities. Most loans originated through CountryPlace are sold to investors. CountryPlace also provides various loan servicing functions for non-affiliated entities under contract.

If CountryPlace's customers are unable to repay their loans, CountryPlace may be adversely affected. CountryPlace makes loans to borrowers that it believes are creditworthy based on its underwriting guidelines. However, the ability of these customers to repay their loans may be affected by a number of factors, including, but not limited to: national, regional and local economic conditions; changes or continued weakness in specific industry segments; natural hazard risks affecting the region in which the borrower resides; and employment, financial or life circumstances.

If customers do not repay their loans, CountryPlace may repossess or foreclose on the secured property in order to liquidate its loan collateral and minimize losses. The homes and land securing the loans are subject to fluctuating market values, and proceeds realized from liquidating repossessed or foreclosed property are highly susceptible to adverse movements in collateral values. Home price depreciation and elevated levels of unemployment may result in additional defaults and exacerbate actual loss severities upon collateral liquidation beyond those normally experienced by CountryPlace.

Some of the loans CountryPlace has originated or may originate in the future may not have a liquid market, or the market may contract rapidly and the loans may become illiquid. Although CountryPlace offers loan products and prices its loans at levels that it believes are marketable at the time of credit application approval, market conditions for mortgage-related loans may deteriorate rapidly and significantly. CountryPlace's ability to respond to changing market conditions is bound by credit approval and funding commitments it makes in advance of loan completion. In this environment, it is difficult to predict the types of loan products and characteristics that may be susceptible to future market curtailments and tailor our loan offerings accordingly. As a result, no assurances can be given that the market value of our loans will not decline in the future, or that a market will continue to exist for loan products.

CountryPlace sells loans through GSE-related programs and whole-loan purchasers. In connection with these activities, CountryPlace provides to the GSEs and whole-loan purchasers representations and warranties related to the loans sold. These representations and warranties generally relate to the ownership of the loans, the validity of the liens securing the loans, the loans' compliance with the criteria for inclusion in the sale transactions, including compliance with underwriting standards or loan criteria established by buyers and CountryPlace's ability to deliver documentation in compliance with applicable laws. Generally, representations and warranties may be enforced at any time over the life of the loan. Upon a breach of a representation, CountryPlace may be required to repurchase the loan or to indemnify a party for incurred losses. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or indemnification. CountryPlace manages the risk of repurchase through underwriting and quality assurance practices and by servicing the mortgage loans to investor standards. CountryPlace maintains a reserve for these contingent repurchase and indemnification obligations.

Standard Casualty and Standard Insurance Agency specialize in the manufactured housing industry, primarily serving the Texas, Arizona, New Mexico and Georgia markets. In Texas, the policies are written through one affiliated managing general agent, which produces all premiums, except surety, through local agents, most of which are manufactured home retailers. All insurance policies outside the state of Texas are written on a direct basis through local agents. Property and casualty insurance companies are subject to certain risk-based capital requirements as specified by the National Association of Insurance Commissioners. Under those requirements, the amount of capital and surplus maintained by a property and casualty insurance company is determined based on its various risk factors.

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Certain of Standard Casualty's premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide Standard Casualty with increased capacity to write larger risks. Standard Casualty remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Substantially all of Standard Casualty's assumed reinsurance is with one entity. Further, Standard Casualty's policies in force may be subject to numerous risks including geographic concentration, adverse selection, home deterioration, unusual weather events, and regulation. Although claim amounts are recoverable by Standard Casualty through reinsurance for catastrophic losses up to policy maximums, significant losses may be realized and our results of operations and financial condition could be adversely affected.

Tightened credit standards, curtailed lending activity by home-only lenders and increased government lending regulations have contributed to a constrained consumer financing market

Consumers who buy our manufactured homes have historically secured retail financing from third-party lenders. Home-only financing is at times more difficult to obtain than financing for site-built homes. The availability, terms and costs of retail financing depend on the lending practices of financial institutions, governmental policies and economic and other conditions, all of which are beyond our control.

Since 1999, home-only lenders have tightened the credit underwriting standards for loans to purchase manufactured homes, which has reduced lending volumes and negatively impacted our revenue. Most of the national lenders who have historically provided home-only loans have exited the manufactured housing sector of the home loan industry. In 2002, Conseco, historically one of the largest originators of home-only loans in the manufactured housing industry, filed for bankruptcy protection and ceased its lending activities. In 2004, JPMorgan Chase Bank N.A., the lender with the largest loan origination volume in the home-only financing market at that time, announced it was ceasing its manufactured housing lending activities. In 2008, Origen Financial, Inc. announced that it was suspending originations of manufactured home loans as a result of unfavorable conditions in the secondary market for its loans. Another major lender, 21st Mortgage Corporation, citing unreliable and inadequate sources of funding, announced in 2009 that it was significantly curtailing its retail lending program. Remaining retail lenders have tightened their loan underwriting standards. In 2014, U.S. Bank announced that they would exit the indirect manufactured housing lending business, requiring consumers to apply through their normal mortgage lending programs. Retail sales of manufactured housing could be adversely affected if remaining retail lenders curtail industry lending activities or exit the industry altogether.

Changes in laws or other events that adversely affect liquidity in the secondary mortgage market could hurt our business. The GSEs and the FHA play significant roles in insuring or purchasing home mortgages and creating or insuring investment securities that are either sold to investors or held in their portfolios. These organizations provide significant liquidity to the secondary market. Any new federal laws or regulations that restrict or curtail their activities, or any other events or conditions that alter the roles of these organizations in the housing finance market could affect the ability of our customers to obtain mortgage loans or could increase mortgage interest rates, fees, and credit standards, which could reduce demand for our homes and/or the loans that we originate and adversely affect our results of operations.

In 2010, the Dodd-Frank Act was passed into law. The Dodd-Frank Act is a sweeping piece of legislation, and the financial services industry continues to assess its implications and implement necessary changes in procedures and business practices. The Dodd-Frank Act established the CFPB to regulate consumer financial products and services. Although Congress detailed some significant changes, and many new rules have been implemented, the full impact remains unknown and may not be fully known for years as the development of additional rules continue, and Congress considers amending part of the Act. Enforcement actions are in the early stages and the effects of possible litigation related to the regulations remains unknown.

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In 2014, certain CFPB mortgage finance rules required under the Dodd-Frank Act became effective. The rules apply to consumer credit transactions secured by a dwelling, which include real property mortgages and chattel loans (financed without land) secured by manufactured homes. The rules defined standards for origination of "Qualified Mortgages," established specific requirements for lenders to prove borrowers' ability to repay loans and outlined the conditions under which Qualified Mortgages are subject to safe harbor limitations on liability to borrowers. The rules also established interest rates and other cost parameters for determining which Qualified Mortgages fall under safe harbor protection. Among other issues, Qualified Mortgages with interest rates and other costs outside the limits are deemed "rebuttable" by borrowers and expose the lender and its assignees (including investors in loans, pools of loans, and instruments secured by loans or loan pools) to possible litigation and penalties.

While many manufactured homes are currently financed with agency-conforming mortgages in which the ability to repay is verified, and interest rates and other costs are within the safe harbor limits established under the CFPB mortgage finance rules, certain loans to finance the purchase of manufactured homes, especially chattel loans and non-conforming land-home loans, may fall outside the safe harbor limits. The rules have caused some lenders to curtail underwriting such loans, and some investors are reluctant to own or participate in owning such loans because of the uncertainty of potential litigation and other costs. If so, some prospective buyers of manufactured homes may be unable to secure the financing necessary to complete purchases. In addition, compliance with the law and ongoing rule implementation has caused lenders to incur additional costs to implement new processes, procedures, controls and infrastructure required to comply with the regulations. Compliance may constrain lenders' ability to profitably price certain loans. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on our business and results of operations.

The CFPB rules amending the TILA and RESPA expand the types of mortgage loans that are subject to the protections of the HOEPA, revise and expand the tests for coverage under HOEPA, and impose additional restrictions on mortgages that are covered by HOEPA. As a result, certain manufactured home loans are now subject to HOEPA limits on interest rates and fees. Loans with rates or fees in excess of the limits are deemed High Cost Mortgages and provide additional protections for borrowers, including with respect to determining the value of the home. Most loans for the purchase of manufactured homes have been written at rates and fees that would not appear to be considered High Cost Mortgages under the new rule. Although some lenders may continue to offer loans that are now deemed High Cost Mortgages, the rate and fee limits appear to have deterred some lenders from offering loans to certain borrowers or may cause them to be reluctant to enter into loans subject to the provisions of HOEPA. As a result, some prospective buyers of manufactured homes may be unable to secure financing necessary to complete manufactured home purchases.

The availability of wholesale financing for industry retailers is limited due to a reduced number of floor plan lenders and reduced lending limits

Manufactured housing retailers generally finance their inventory purchases with wholesale floor plan financing provided by lending institutions. The availability of wholesale financing is significantly affected by the number of floor plan lenders and their lending limits. Since 1999, a substantial number of wholesale lenders have exited the industry or curtailed their floor plan operations. Conseco, historically the largest floor plan lender, previously providing about 25% of the industry's wholesale financing, discontinued approving and funding new floor plan loan requests in 2002 and later filed for bankruptcy protection. With Conseco's exit, Deutsche Financial Services was the largest remaining floor plan lender, providing approximately 20% of the industry's wholesale financing. Deutsche Financial Services discontinued approving and funding new floor plan loan requests in November 2002 and proceeded to liquidate its existing floor plan receivables. Textron Financial Corporation and GE Commercial Distribution Finance subsequently exited the business. As a result, the Company’s independent retailers have relied primarily on 21st Mortgage Corporation and smaller national and regional lending institutions that have specialized in providing wholesale floor plan financing to manufactured housing retailers. Floor plan financing providers could further reduce their levels of floor plan lending. Reduced availability of floor plan lending negatively affects the inventory levels of our independent retailers, the number of retail sales center locations and related wholesale demand, and adversely affects the availability of and access to capital on an ongoing basis.

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Our participation in certain financing programs for the purchase of our products by industry distributors and consumers may expose us to additional risk of credit loss, which could adversely impact the Company's liquidity and results of operations

We are exposed to risks associated with the creditworthiness of certain independent retailers, builders, developers, community owners, inventory financing partners and home buyers, many of whom may be adversely affected by the volatile conditions in the economy and financial markets. These conditions could result in financial instability or other adverse effects. The consequences of such adverse effects could include delinquencies by customers who purchase our product under special financing initiatives, and deterioration of collateral values. In addition, we may incur losses if our collateral cannot be recovered or liquidated at prices sufficient to recover recorded commercial loan notes receivable balances. The realization of any of these factors may adversely affect our cash flow, profitability and financial condition.

Our results of operations could be adversely affected by significant warranty and construction defect claims on factory-built housing

In the ordinary course of our business, we are subject to home warranty and construction defect claims. We record a reserve for estimated future warranty costs relating to homes sold, based upon our assessment of historical experience factors. Construction defect claims may arise during a significant period of time after product completion. Although we maintain general liability insurance and reserves for such claims, based on our assessments, which to date have been adequate, there can be no assurance that warranty and construction defect claims will remain at current levels or that such reserves will continue to be adequate. A large number of warranty and construction defect claims exceeding our current levels could have a material adverse effect on our results of operations.

We have contingent repurchase obligations related to wholesale financing provided to industry retailers

In accordance with customary business practice in the manufactured housing industry, we have entered into repurchase agreements with various financial institutions and other credit sources who provide floor plan financing to industry retailers, which provide that we will be obligated, under certain circumstances, to repurchase homes sold to retailers in the event of a default by a retailer in its obligation to such credit sources. Under these agreements, we have agreed to repurchase homes at declining prices over the term of the agreement (which in most cases is 18 to 36 months). The maximum amount of our contingent obligations under such repurchase agreements was approximately $46.6 million as of April 2, 2016, without reduction for the resale value of the homes. We may be required to honor contingent repurchase obligations in the future and may incur additional expense as a consequence of these repurchase agreements.

Our operating results could be affected by market forces and declining housing demand

As a participant in the homebuilding industry, we are subject to market forces beyond our control. These market forces include employment levels, employment growth, interest rates, consumer confidence, land availability and development costs, apartment and rental housing vacancy levels, inflation, deflation and the health of the general economy. Unfavorable changes in any of the above factors or other issues could have an adverse effect on our revenue and earnings.

We have incurred net losses in certain prior periods and there can be no assurance that we will generate income in the future

Since becoming a stand-alone public company, we have generated net income each complete fiscal year, except for fiscal year 2010, in which we incurred net losses attributable in substantial part to the downturn affecting the manufactured housing industry, which is discussed in detail above. The likelihood that we will generate net income in the future must be considered in light of the difficulties facing the manufactured housing industry as a whole, economic conditions, the competitive environment in which we operate and the other risks and uncertainties discussed in this section of the Annual Report. There can be no assurance that we will generate net income in the future.

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A write-off of all or part of our goodwill could adversely affect our operating results and net worth

As of April 2, 2016, 13% of our total assets consisted of goodwill, all of which is attributable to our factory-built housing operations. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles—Goodwill and Other ("ASC 350"), we test goodwill annually for impairment by reporting unit by first making a qualitative assessment and, if necessary, performing the two-step test and recording an impairment charge if the implied fair value of a reporting unit, including goodwill, is less than its carrying value. If goodwill has become impaired, we charge the impairment as an expense in the period in which the impairment occurred. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" and Note 1 to the Consolidated Financial Statements. Our goodwill could be impaired if developments affecting our manufacturing operations or the markets in which we produce manufactured homes lead us to conclude that the cash flows we expect to derive from our manufacturing operations will be substantially reduced. A write off of all or part of our goodwill could adversely affect our results of operations and financial condition.

The cyclical and seasonal nature of the manufactured housing industry causes our revenues and operating results to fluctuate, and we expect this cyclicality and seasonality to continue in the future

The manufactured housing industry is highly cyclical and seasonal and is influenced by many national and regional economic and demographic factors, including the availability of consumer financing for home buyers, the availability of wholesale financing for retailers, seasonality of demand, consumer confidence, interest rates, demographic and employment trends, income levels, housing demand, general economic conditions, including inflation and recessions, and the availability of suitable home sites.

As a result of the foregoing economic, demographic and other factors, our revenues and operating results fluctuate, and we expect them to continue to fluctuate in the future. Moreover, we have experienced and could again experience operating losses during cyclical downturns in the manufactured housing market.

Our liquidity and ability to raise capital may be limited

We may need to obtain debt or additional equity financing in the future. The type, timing and terms of the financing selected by us will depend on, among other things, our cash needs, the availability of other financing sources and prevailing conditions in the financial markets. There can be no assurance that any of these sources will be available to us at any time or that they will be available on satisfactory terms.

The manufactured housing industry is highly competitive, and increased competition may result in lower revenue

The manufactured housing industry is highly competitive. Competition at both the manufacturing and retail levels is based upon several factors, including price, product features, reputation for service and quality, merchandising, terms of retailer promotional programs and the terms of retail customer financing. Numerous companies produce manufactured homes in our markets. In addition, our homes compete with repossessed homes that are offered for sale in our markets. Certain of our manufacturing competitors also have their own retail distribution systems and consumer finance and insurance operations. In addition, there are many independent manufactured housing retail locations in most areas where we have retail operations. We believe that where wholesale floor plan financing is available, it is relatively easy for new retailers to enter into our markets as competitors. In addition, our products compete with other forms of low- to moderate-cost housing, including new and existing site-built homes, apartments, townhouses and condominiums. If we are unable to compete effectively in this environment, our factory-built housing revenue could be reduced.

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If we are unable to establish or maintain relationships with independent distributors who sell our homes, our revenue could decline

During fiscal year 2016, approximately 81% of our wholesale sales of manufactured homes were to independent distributors. As is common in the industry, independent distributors may also sell homes produced by competing manufacturers. We may not be able to establish relationships with new independent distributors or maintain good relationships with independent distributors that sell our homes. Even if we do establish and maintain relationships with independent distributors, these distributors are not obligated to sell our homes exclusively and may choose to sell our competitors' homes instead. The independent distributors with whom we have relationships can cancel these relationships on short notice. In addition, these distributors may not remain financially solvent, as they are subject to industry, economic, demographic and seasonal trends similar to those faced by us. If we do not establish and maintain relationships with solvent independent distributors in one or more of our markets, revenue in those markets could decline.

Our business and operations are concentrated in certain geographic regions, which could be impacted by market declines

Our operations are concentrated in certain states, most notably Texas, California, Florida, Arizona, Oregon and Kentucky. Due to the concentrated nature of our operations, there could be instances where these regions are negatively impacted by economic, natural or population changes that could, in turn, negatively impact the results of the business, more than other companies that are more geographically dispersed.

The Company operates 19 homebuilding facilities located in the Pacific, Mountain, Midwest, South Central and South Atlantic regions. We have a significant presence in Texas with factories in the cities of Austin, Ft. Worth, Seguin and Waco. Further, of our 45 company-owned sales centers, 32 are located in Texas.

Loan contracts secured by collateral that is geographically concentrated could experience higher rates of delinquencies, default and foreclosure losses than loan contracts secured by collateral that is more geographically dispersed. CountryPlace has loan contracts secured by factory-built homes located in 29 states, including Texas, Florida, New Mexico, Arizona and Alabama.

Standard Casualty and Standard Insurance Agency specialize in the manufactured housing industry, primarily serving the Texas, Arizona, New Mexico and Georgia markets.

A decline in the economic conditions in Texas, California, Florida, Arizona Oregon and/or Kentucky could have a material adverse effect on our results of operations.

Our results of operations can be adversely affected by labor shortages and the pricing and availability of raw materials

The homebuilding industry has from time to time experienced labor shortages and other labor related issues. A number of factors may adversely affect the labor force available to us and our subcontractors in one or more of our markets including high employment levels, construction market conditions and government regulation, which include laws and regulations related to workers’ health and safety, wage and hour practices and immigration. An overall labor shortage or a lack of skilled or unskilled labor could cause significant increases in costs or delays in construction of homes, which could have a material adverse effect upon our revenue and results of operations.

Our results of operations can be affected by the pricing and availability of raw materials. Although we attempt to increase the sales prices of our homes in response to higher materials costs, such increases may lag behind the escalation of materials costs. Sudden increases in price and lack of availability of raw materials can be caused by natural disaster or other market forces, as has occurred in recent years. Although we have not experienced any production halts, severe or prolonged shortages of some of our most important building materials, which include wood and wood products, gypsum wallboard, steel, insulation, and other petroleum-based products, have occurred. There can be no assurance that sufficient supplies of these and other raw materials will continue to be available to us.

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If the manufactured housing industry is not able to secure favorable local zoning ordinances, our revenue could decline and our business could be adversely affected

Manufactured housing communities and individual home placements are subject to local zoning ordinances and other local regulations relating to utility service and construction of roadways. In the past, property owners often have resisted the adoption of zoning ordinances permitting the location of manufactured homes in residential areas, which we believe has restricted the growth of the industry. Manufactured homes may not achieve widespread acceptance and localities may not adopt zoning ordinances permitting the development of manufactured home communities. If the manufactured housing industry is unable to secure favorable local zoning ordinances, our revenue could decline and our business, results of operations and financial condition could be adversely affected.

The loss of any of our executive officers could reduce our ability to execute our business strategy and could have a material adverse effect on our business and results of operations

We are dependent to a significant extent upon the efforts of our executive officers. The loss of the services of one or more of our executive officers could impair our ability to execute our business strategy and have a material adverse effect upon our business, financial condition and results of operations. We currently have no key person life or other insurance for our executive officers.

Certain provisions of our organizational documents could delay or make more difficult a change in control of our Company

Certain provisions of our restated certificate of incorporation and restated bylaws could delay or make more difficult transactions involving a change of control of our Company, and may have the effect of entrenching our current management or possibly depressing the market price of our common stock. For example, our restated certificate of incorporation and restated bylaws authorize blank series preferred stock, establish a staggered board of directors and impose certain procedural and other requirements for stockholder proposals. Furthermore, the fact that income taxes could be imposed as a result of ownership changes occurring in conjunction with a distribution may have the effect of delaying or making more difficult certain transactions involving a change of control of our Company.

Volatility of stock price

The price of our common stock may fluctuate widely, depending upon a number of factors, many of which are beyond our control. These factors include: the perceived prospects of our business and the manufactured housing industry as a whole; differences between our actual financial and operating results and those expected by investors and analysts; changes in analysts' recommendations or projections; changes affecting the availability of financing in the wholesale and consumer lending markets; actions or announcements by competitors; changes in the regulatory environment in which we operate; significant sales of shares by a principal stockholder; actions taken by stockholders that may be contrary to Board of Director recommendations; and changes in general economic or market conditions. In addition, stock markets generally experience significant price and volume volatility from time to time which may adversely affect the market price of our common stock for reasons unrelated to our performance.

Deterioration in economic conditions and turmoil in financial markets could reduce our earnings and financial condition

Deterioration in regional or global economic conditions and turmoil in financial markets could have a negative impact on our business. Among other things, unfavorable changes in employment levels, job growth, consumer confidence and income, inflation, deflation, foreign currency exchange rates and interest rates may further reduce demand for our products, which could negatively affect our business, results of operations and financial condition. Unprecedented contraction in the credit markets and the financial services industry have occurred in recent years, characterized by the bankruptcy, failure or consolidation of various financial institutions and extraordinary intervention from the federal government. These factors could have an adverse effect on the availability of financing to our customers, causing our revenues to decline.

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The cost of operations could be adversely impacted by increased costs of healthcare benefits provided to employees
In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the "Health Reform Law"), was passed into law. As enacted, the Health Reform Law reforms, among other things, certain aspects of health insurance. The Health Reform Law could increase our healthcare costs, adversely impacting the Company's earnings.
A prolonged delay by Congress and the President to approve budgets or continuing appropriation resolutions to facilitate the operations of the federal government could delay the completion of home sales and/or cause cancellations, and thereby negatively impact our deliveries and revenues
Congress and the President may not timely approve budgets or appropriation legislation to facilitate the operations of the federal government. As a result, many federal agencies have historically and may again cease or curtail some activities. The affected activities include Internal Revenue Service ("IRS") verification of loan applicants' tax return information and approvals by the FHA and other government agencies to fund or insure mortgage loans under programs that these agencies operate. As a number of our home buyers use these programs to obtain financing to purchase our homes, and many lenders, including CountryPlace, require ongoing coordination with these and other governmental entities to originate home loans, a prolonged delay in the performance of their activities could prevent prospective qualified buyers of our homes from obtaining the loans they need to complete such purchases, which could lead to delays or cancellations of home sales. These and other affected governmental bodies could cause interruptions in various aspects of our business and investments. Depending on the length of disruption, such factors could have a material adverse impact on our consolidated financial statements.
Information technology failures or data security breaches could harm our business
We use information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (through cyber-attacks from computer hackers and sophisticated organizations), catastrophic events such as fires, tornadoes and hurricanes and human error. Given the unpredictability of the timing, nature and scope of information technology disruptions, if our computer systems and our backup systems are damaged, breached, or cease to function properly, we could potentially be subject to production downtimes, operational delays, the compromising of confidential or otherwise protected information (including information about our home buyers and business partners), destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

We are subject to extensive regulation affecting the production and sale of manufactured housing, which could adversely affect our profitability.
We are subject to a variety of federal, state and local laws and regulations affecting the production and sale of manufactured housing. Please refer to the section above under the heading "Government Regulation" for a description of many of these laws and regulations. Our failure to comply with such laws and regulations could expose us to a wide variety of sanctions, including closing one or more manufacturing facilities. Regulatory matters affecting our operations are under regular review by governmental bodies and we cannot predict what effect, if any, new laws and regulations would have on us or the manufactured housing industry. Failure to comply with applicable laws or regulations or the passage in the future of new and more stringent laws, may adversely affect our financial condition or results of operations.

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Forward-Looking Statements

This Annual Report includes "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. In general, all statements included or incorporated in this Annual Report that are not historical in nature are forward-looking. These may include statements about our plans, strategies and prospects under the headings "Business," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans," or "anticipates," or by discussions of strategy, plans or intentions. Forward-looking statements are typically included, for example, in discussions regarding the manufactured housing and site-built housing industries; our financial performance and operating results; and the expected effect of certain risks and uncertainties on our business, financial condition and results of operations, economic conditions and consumer confidence, our operational and legal risks, how we may be affected by governmental regulations and legal proceedings, the expected effect of certain risks and uncertainties on our business, the availability of favorable consumer and wholesale manufactured home financing, market interest rates and our investments, and the ultimate outcome of our commitments and contingencies.

All forward-looking statements are subject to risks and uncertainties, many of which are beyond our control. As a result, our actual results or performance may differ materially from anticipated results or performance. Also, forward-looking statements are based upon management's estimates of fair values and of future costs, using currently available information. Therefore, actual results may differ materially from those expressed or implied in those statements. Factors that could cause such differences to occur include, but are not limited to, those discussed under Item 1A, "Risk Factors," and elsewhere in this Annual Report. We expressly disclaim any obligation to update any forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise. For all of these reasons, you should not place any reliance on any such forward-looking statements included in this Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The following table sets forth certain information with respect to our core properties:

Location	Date of Commencement of Operations	Owned / Leased	Square Feet
Active manufacturing facilities:			
Millersburg, Oregon	1995	Owned	169,000
Woodburn, Oregon	1976	Owned	221,000
Nampa, Idaho	1957	Owned	171,000
Riverside, California	1960	Owned	107,000
Goodyear, Arizona	1993	Leased	250,000
Phoenix, Arizona	1978	Owned	79,000
Austin, Texas	1981	Owned	104,000
Fort Worth, Texas	1993	Owned	121,000
Seguin, Texas	2006	Owned	129,000
Waco, Texas	1971	Owned	132,000
Montevideo, Minnesota (Plant 1)	1982	Leased	264,000
Montevideo, Minnesota (Plant 2)	1982	Leased	41,000
Nappanee, Indiana (1)	1971	Owned	341,000
Lafayette, Tennessee	1996	Owned	149,000
Martinsville, Virginia	1969	Owned	132,000
Rocky Mount, Virginia	1995	Owned	137,000
Douglas, Georgia	1988	Owned	142,000
Ocala, Florida	1984	Leased	91,000
Plant City, Florida	1981	Owned	87,000
Component and supply facilities:			
Martinsville, Virginia	1972	Owned	148,000
Nappanee, Indiana	1971	Leased	77,000
Inactive manufacturing facilities:			
Austin, Texas		Owned	77,000
Martinsville, Virginia		Owned	44,000
Plant City, Florida		Owned	94,000
Administrative and other locations:			
Phoenix, Arizona		Leased	11,000
Addison, Texas		Leased	24,000
New Braunfels, Texas		Owned	9,000
Nappanee, Indiana		Leased	18,000

(1)This facility was purchased by the Company during fiscal year 2016.

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We own the land on which the manufacturing facilities are located, except for the Goodyear, Arizona plant, which is currently leased through June 30, 2021 with options to extend; the Ocala, Florida plant, which is currently leased through March 30, 2017 with options to extend; and the Montevideo, Minnesota plants, which are leased through April 20, 2020. We also own substantially all of the machinery and equipment used at these factories. We believe that these facilities are adequately maintained and suitable for the purposes for which they are used. In addition to our production facilities, we own an office building and land in New Braunfels, Texas, which houses Standard Casualty's operations, as well as ten properties upon which six of our active retail centers are located. The remaining active sales centers and a claims office are leased under operating leases with lease terms generally ranging from monthly to five years. Our Company-owned retail centers generally range in sizes up to nine acres. We lease office space in Addison, Texas for CountryPlace operations and Palm Harbor administrative support services, pursuant to a lease that expires in 2018. Our Phoenix, Arizona corporate headquarters lease was extended for a period of five years, commencing in February 2013 and expiring in January 2018. The Company has the right to terminate the lease prior to the expiration of the five year term, effective as of any date after January 31, 2016. The Company also leases an administrative office and supply facility in Nappanee, Indiana, expiring in July 2017 with options to extend.

ITEM 3. LEGAL PROCEEDINGS

We are party to certain legal proceedings that arise in the ordinary course and are incidental to our business. Certain of the claims pending against us in these proceedings allege, among other things, breach of contract, breach of express and implied warranties, construction defects, deceptive trade practices, unfair insurance practices, product liability and personal injury. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on the Company’s consolidated financial position, liquidity or results of operations. However, future events or circumstances, currently unknown to management, will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on our consolidated financial position, liquidity or results of operations in any future reporting periods.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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SUPPLEMENTAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT (See Item 10 of Part III of this Report)
The following is a listing of our executive officers as of June 21, 2016, as such term is defined under the rules and regulations of the Securities and Exchange Commission. Officers are generally elected by the Board of Directors at its meeting immediately following our annual stockholders' meeting, with each officer serving until a successor has been elected and qualified. There is no family relationship between these officers.

Name	Age	Positions with Cavco or Business Experience
Joseph H. Stegmayer	65	Chairman of the Board, President and Chief Executive Officer since March 2001; Director and Officer of certain of Cavco's major subsidiaries, including Palm Harbor Homes, Inc. and Fleetwood Homes, Inc; President of Centex Manufactured Housing Group, LLC from September 2000 to June 2003; President - Retail Operations and Chief Financial Officer of Champion Enterprises, Inc. from January 1998 to September 2000; President, Vice Chairman and Chairman of the Executive Committee of Clayton Homes, Inc. from 1993 to January 1998
Daniel L. Urness	48	Executive Vice President, Chief Financial Officer and Treasurer since January 2006; Director and Officer of certain of Cavco's major subsidiaries, including Palm Harbor Homes, Inc. and Fleetwood Homes, Inc; Interim Chief Financial Officer of the Company from August 2005 to January 2006; Corporate Controller from May 2005 to August 2005; Financial Consultant from June 2002 to May 2005; Controller from May 1999 to June 2002; Manager and staff with Deloitte & Touche, LLP from September 1993 to May 1999
Charles E. Lott	68	President of Fleetwood Homes, Inc. since August 2009; President and Vice President - Housing Group of Fleetwood Enterprises, Inc. from April 2005 to August 2009; Mr. Lott has worked for Fleetwood Enterprises and subsequently Fleetwood Homes for all but six years of his over 40-year career in the manufactured housing industry
Steven K. Like	59	Senior Vice President since February 2009; Director of Standard Casualty Company and affiliated agencies and Officer of certain of Cavco's subsidiaries; Executive Vice President and General Counsel- Patriot Homes from 1995 to February 2009; Partner at Warrick & Boyn, LLP from 1981-1995

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PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol CVCO. The following table sets forth, for each of the periods indicated, the reported high and low sale prices per share on the Nasdaq for the Company's common stock.

	Sales Price	
	High	Low
Year ended April 2, 2016		
Fourth Quarter	$95.25	$70.28
Third Quarter	106.55	66.71
Second Quarter	78.28	66.22
First Quarter	78.75	64.54
Year ended March 28, 2015		
Fourth Quarter	$81.89	$67.32
Third Quarter	82.32	62.08
Second Quarter	87.90	65.29
First Quarter	85.45	72.03

As of June 6, 2016, the Company had 743 stockholders of record and approximately 7,900 beneficial holders of its common stock, based upon information in securities position listings by registered clearing agencies upon request of the Company's transfer agent.

In the past two fiscal years, we have not paid any dividends on our common stock. The payment of dividends to our stockholders is subject to the discretion of our board of directors and various factors may prevent us from paying dividends. Such factors include our cash requirements and liquidity and the requirements of state corporate and other laws.

Equity Compensation Plan Table

Information concerning equity compensation plans is included in Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Annual Report.

Issuer Purchases of Equity Securities

In 2008, we announced a stock repurchase program. A total of $10.0 million may be used to repurchase our outstanding common stock. The repurchases may be made in the open market or in privately negotiated transactions in compliance with applicable state and federal securities laws and other legal requirements. The level of repurchase activity is subject to market conditions and other investment opportunities. The repurchase program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time. The repurchase program will be funded using our available cash. No repurchases have been made under this program to date.

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Performance Graph

The following graph compares the yearly change in the cumulative total stockholder return on Cavco common stock during the five fiscal years ended April 2, 2016 with that of the Nasdaq Composite Index and the Nasdaq US Small Cap Home Construction Index. The comparison assumes $100 (with reinvestment of all dividends) was invested on March 31, 2011 in Cavco common stock and in each of the foregoing indices.

CAVCO INDUSTRIES, INC.

	3/31/2011	3/31/2012	3/30/2013	3/29/2014	3/28/2015	4/2/2016
Cavco Industries, Inc.	$ 100	$ 103	$ 105	$ 174	$ 166	$ 206
Nasdaq Composite Index	$ 100	$ 111	$ 117	$ 149	$ 176	$ 177
Nasdaq US Small Cap Home Construction Index	$ 100	$ 105	$ 190	$ 175	$ 178	$ 140

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data regarding Cavco for the fiscal years indicated. The data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the information presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report.

	Year Ended				
	April 2, 2016	March 28, 2015	March 29, 2014	March 30, 2013	March 31, 2012
	(Dollars in thousands, except per share data)				
Income Statement Data:					
Net revenue	$712,352	$566,659	$533,339	$452,300	$443,066
Cost of sales	567,907	440,523	413,856	351,945	347,121
Gross profit	144,445	126,136	119,483	100,355	95,945
Selling, general and administrative expenses	98,103	87,659	87,938	79,313	79,800
Income from operations	46,342	38,477	31,545	21,042	16,145
Interest expense	(4,363)	(4,587)	(4,845)	(5,973)	(7,265)
Other income, net	2,049	3,437	1,105	1,579	1,338
Gain on bargain purchase	—	—	—	—	22,009
Income before income taxes	44,028	37,327	27,805	16,648	32,227
Income tax expense	(15,487)	(13,510)	(9,099)	(6,351)	(2,499)
Net income	28,541	23,817	18,706	10,297	29,728
Less: net income attributable to redeemable noncontrolling interest	—	—	2,468	5,334	14,491
Net income attributable to Cavco common stockholders	$28,541	$23,817	$16,238	$4,963	$15,237
Comprehensive income:					
Net income	$28,541	$23,817	$18,706	$10,297	$29,728
Unrealized gain on available-for-sale securities, net of tax	785	68	82	238	116
Comprehensive income	29,326	23,885	18,788	10,535	29,844
Comprehensive income attributable to redeemable noncontrolling interest	—	—	2,392	5,453	14,549
Comprehensive income attributable to Cavco common stockholders	$29,326	$23,885	$16,396	$5,082	$15,295
Net income per share attributable to Cavco common stockholders:					
Basic	$3.21	$2.69	$1.97	$0.71	$2.22
Diluted	$3.15	$2.64	$1.94	$0.71	$2.19
Weighted average shares outstanding:					
Basic	8,889,731	8,854,359	8,262,688	6,956,706	6,877,437
Diluted	9,046,347	9,015,779	8,379,024	7,027,204	6,949,077

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	April 2, 2016	March 28, 2015	March 29, 2014	March 31, 2013	March 31, 2012
	(Dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$97,766	$96,597	$72,949	$47,823	$41,094
Restricted cash, current	10,218	9,997	7,213	6,773	6,331
Accounts receivable, net	29,113	26,994	20,766	18,710	14,871
Short-term investments	10,140	7,106	8,289	6,929	5,377
Current portion of consumer loans receivable, net	21,918	24,073	19,893	20,188	20,705
Current portion of commercial loans receivable, net	3,557	2,330	2,941	3,983	1,982
Inventories	94,813	75,334	69,729	68,805	62,246
Assets held for sale	—	—	1,130	4,180	3,903
Prepaid expenses and other current assets	22,196	14,460	12,623	10,267	7,848
Deferred income taxes, current	8,998	8,573	12,313	6,724	6,657
Total current assets	298,719	265,464	227,846	194,382	171,014
Restricted cash	1,082	1,081	1,188	1,179	453
Investments	28,948	24,813	17,165	10,769	8,825
Consumer loans receivable, net	67,640	74,085	78,391	90,802	98,594
Commercial loans receivable, net	21,985	15,751	18,367	18,967	22,699
Property, plant and equipment, net	55,072	44,712	48,227	46,223	50,064
Goodwill and other intangibles, net	80,389	76,676	78,055	79,435	80,915
Deferred income taxes	—	—	—	2,742	4,770
Total assets	$553,835	$502,582	$469,239	$444,499	$437,334
Total current liabilities	125,089	101,471	98,993	87,005	85,505
Securitized financings and other	54,909	60,370	59,865	72,118	80,747
Deferred income taxes	20,611	20,587	19,948	16,492	16,198
Redeemable noncontrolling interest	—	—	—	91,994	86,541
Total stockholders' equity	353,226	320,154	290,433	176,890	168,343
Total liabilities, redeemable noncontrolling interest and stockholders' equity	$553,835	$502,582	$469,239	$444,499	$437,334

The selected financial data set forth above includes the accounts of Cavco and its consolidated subsidiaries, CRG Holdings, LLC, and Fleetwood (Fleetwood includes Palm Harbor, Fairmont Homes, Chariot Eagle, CountryPlace, Standard Casualty, and their subsidiaries). Until July 22, 2013, the Company and its investment partners, Third Avenue Value Fund and an affiliate, jointly-owned Fleetwood Homes, Inc. Cavco and Third Avenue each owned 50 percent of Fleetwood, which has been operated by the Company since Fleetwood's inception in 2009. Third Avenue's financial interest in Fleetwood was reported as a "redeemable noncontrolling interest" in the Consolidated Financial Statements. As discussed in Note 20 to the Consolidated Financial Statements, during the year ended March 29, 2014, Cavco completed the purchase from Third Avenue of all noncontrolling interests in Fleetwood and its subsidiaries. The acquisition closed on July 22, 2013, resulting in Cavco owning 100 percent of the Fleetwood businesses and entitling Cavco to all of the associated earnings from that date forward.

The selected financial data set forth above may not be indicative of our future performance.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes that appear in Part IV of this Report. References to "Note" or "Notes" refer to the Notes to the Company's Consolidated Financial Statements.

Overview

Headquartered in Phoenix, Arizona, the Company designs and produces factory-built homes primarily distributed through a network of independent and Company-owned retailers. We are the second largest producer of manufactured homes in the United States, based on reported wholesale shipments, marketed under a variety of brand names, including Cavco Homes, Fleetwood Homes, Palm Harbor Homes, Fairmont Homes and Chariot Eagle. The Company is also a leading builder of park model RVs, vacation cabins and systems-built commercial structures, as well as modular homes built primarily under the Nationwide Homes brand. Cavco's mortgage subsidiary, CountryPlace, is an approved Fannie Mae and Freddie Mac seller/servicer, a Ginnie Mae mortgage backed securities issuer and offers conforming mortgages and chattel loans to purchasers of factory-built and site-built homes. Our insurance subsidiary, Standard Casualty, provides property and casualty insurance to owners of manufactured homes.

Company Growth

From its inception in 1965, Cavco has traditionally served affordable housing markets in the southwestern United States primarily through manufactured home production. During the period from 1997 to 2000, Cavco was purchased by and became a wholly-owned subsidiary of Centex Corporation, which operated the Company until 2003, when Cavco became a stand-alone publicly-held Company traded on the Nasdaq Global Select Market under the ticker symbol CVCO.

In 2009, the Company and an investment partner, Third Avenue Value Fund and an affiliate (collectively, "Third Avenue"), formed a jointly-owned corporation, Fleetwood Homes, Inc. ("Fleetwood"). Cavco and Third Avenue each owned 50 percent of Fleetwood, which has been operated by the Company since Fleetwood's inception. Third Avenue Management LLC is an investment adviser to Third Avenue Value Fund and is a related party to the Company, as described further in Note 21 to the Consolidated Financial Statements. Fleetwood acquired certain assets and liabilities of Fleetwood Enterprises, Inc. The assets acquired included, among other assets, seven operating homebuilding factories in seven states, which substantially expanded the organization's geographic presence and increased the diversity of products offered by the Company.

During fiscal year 2011, Fleetwood acquired certain manufactured housing assets and liabilities of Palm Harbor Homes, Inc., a Florida corporation. The assets acquired included five operating homebuilding factories in four states, 49 operating retail locations, a manufactured housing finance company and a homeowners insurance company.

Financial information for Fleetwood was historically included in the Company's Consolidated Financial Statements and related Notes, as a result of Cavco's management control of Fleetwood. Third Avenue's financial interest in Fleetwood was considered a "redeemable noncontrolling interest," and was designated as such in the Consolidated Financial Statements (see Notes 1 and 20 to the Consolidated Financial Statements). On July 22, 2013, Cavco purchased all noncontrolling interests in Fleetwood pursuant to a Stock Purchase Agreement. As a result of the transaction, Cavco owns 100 percent of Fleetwood and the Fleetwood businesses (see Note 21 to the Consolidated Financial Statements). Since the transaction closed, Cavco's ownership of 100% of its subsidiaries entitles the Company to all of the associated earnings.

On March 30, 2015, the Company purchased the business and operating assets of Chariot Eagle, a Florida-based manufacturer of park model RVs and manufactured homes. This transaction was accounted for as a business combination and is expected to expand the Company's offering of park model RV product lines and further strengthen our market position in the Southeastern United States.

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On May 1, 2015, Cavco acquired certain assets and liabilities of Fairmont Homes. Fairmont Homes, headquartered in Nappanee, Indiana, is a builder of manufactured and modular homes and park model RVs, with manufacturing plants in Indiana and Minnesota. This transaction was accounted for as a business combination and provides additional home production capabilities and increased distribution into new markets in the Midwest, the western Great Plains states, the Northeast and several provinces in Canada.

The Company operates 19 homebuilding facilities located in Millersburg and Woodburn, Oregon; Nampa, Idaho; Riverside, California; Phoenix and Goodyear, Arizona; Austin, Fort Worth, Seguin and Waco, Texas; Montevideo, Minnesota (2); Nappanee, Indiana; Lafayette, Tennessee; Martinsville and Rocky Mount, Virginia; Douglas, Georgia; Plant City and Ocala, Florida. The majority of the homes produced are sold to and distributed by independently owned retailers located primarily throughout the United States and Canada. In addition, our homes are sold through 45 Company-owned U.S. retail locations.

We continually review our product offerings throughout the combined organization and strive to improve product designs, production methods and marketing strategies. The supportive market response to the past and recent acquisitions has been encouraging and we believe that these expansions provide positive long-term strategic benefits for the Company. We plan to focus on developing synergies among all operations, which continue to have organic growth potential.

Industry and Company Outlook

According to data reported by the MHI, during calendar year 2015, our industry shipped approximately 71,000 HUD code manufactured homes. This followed approximately 64,000 homes shipped in 2014, 60,000 in 2013, 55,000 in 2012 and 52,000 shipped in calendar year 2011, the lowest levels since shipment statistics began to be recorded in 1959. Annual home shipments from 2004 to 2015 were less than the annual home shipments for each of the 40 years from 1963 to 2002. For the past 10 and 20-year periods, annual home shipments averaged 70,000 and 158,000, respectively. While industry HUD code manufactured home shipments improved modestly during recent years, the manufactured housing industry is operating at relatively low production and shipment levels.

Economic challenges in recent years continue to hinder annual industry and Company home sales. We believe that low post-recession employment rates and underemployment among potential home buyers who favor affordable housing as well as low post-recession consumer confidence levels are two of the most significant impediments. "First-time" and "move-up" buyers of affordable homes are historically among the largest segments of new manufactured home purchasers. Included in this group are lower-income households that were particularly affected by a period of persistently low employment rates and underemployment. Following such challenges, the process of repairing damaged credit among such consumers and efforts to save for a home loan down-payment often require substantial time. Low consumer confidence in the U.S. economy has been evident among manufactured home buyers interested in our products for seasonal or retirement living, as they have been concerned about financial stability, and, therefore, have been hesitant to commit to a new home purchase. We believe sales of our products may increase as employment and consumer confidence levels continue to improve.

The two largest manufactured housing consumer demographics, young adults and those who are 55+ years old, are both growing. The U.S. adult population is estimated to expand by approximately 11.8 million between 2016 and 2021. Young adults born from 1976 to 1995, sometimes referred to as Gen Y, represent a large segment of the population. Late-stage Gen Y is approximately 2 million people larger than the next age category born from 1966 to 1975, Gen X, and is considered to be in the peak home-buying years. Gen Y represents prime first-time home buyers who may be attracted by the affordability, diversity of style choices and location flexibility of factory-built homes. The age 55 and older category is reported to be the fastest growing segment of the U.S. population. This group is similarly interested in the value proposition; however, they are also motivated by the energy efficiency and low maintenance requirements of systems-built homes, and by the lifestyle offered by planned communities that are specifically designed for homeowners that fall into this age group.

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Consumer financing for the retail purchase of manufactured homes needs to become generally more available before marked emergence from current low home shipment levels can occur. Restrictive underwriting guidelines, irregular and onerous appraisal requirements, higher interest rates compared to site-built homes, regulatory burdens, a reduced number of institutions lending to manufactured home buyers and limited secondary market availability for manufactured home loans are significant restraints to industry growth. We are working directly with other industry participants to develop manufactured home consumer financing models that may better attract industry financiers interested in furthering or expanding lending opportunities in the industry. We have invested in community-based lending initiatives that provide home-only financing to residents of certain manufactured home communities. We are also working through industry trade associations to encourage favorable legislative and GSE action to address the mortgage financing needs of potential buyers of affordable homes. Only limited progress has been made in this area and meaningful positive impact in the form of increased home orders has yet to be realized. See "Regulatory Developments" below.

While home sales activity appear to be showing signs of improvement, the current lending environment that favors site-built housing and more affluent home buyers has not provided improved capabilities for affordable-home buyers to facilitate a new home purchase. In addition, the contingency contract process, wherein potential manufactured home buyers must sell their existing home in order to facilitate the purchase of a new factory-built home continues to be somewhat impeded.

Based on the relatively low cost associated with manufactured home ownership, our products have traditionally competed with rental housing's monthly payment affordability. Rental housing activity is reported to have increased in recent years. As a result, tenant housing vacancy rates appear to have declined, causing a corresponding rise in associated rental rates. These rental market factors may cause some renters to become interested buyers of affordable-housing alternatives, including manufactured homes.

Further, with respect to the general rise in demand for rental housing, we have realized a larger proportion of orders from developers and community owners for new manufactured homes intended for use as rental housing. The Company is responsive to the unique product and related requirements of these home buyers and values the opportunity to provide homes that are well suited for these purposes.

The backlog of sales orders at April 2, 2016 varied among our factories, but in total was $47.9 million, or approximately four weeks of current production levels, compared to $47.4 million at March 28, 2015. The Company's capacity utilization rate was approximately 60% during the fourth quarter of fiscal year 2016, versus 55% during the same quarter last year. Retailers may cancel orders prior to production without penalty. Accordingly, until the production of a particular home has commenced, we do not consider our order backlog to be firm orders.

The availability of inventory financing for the industry’s wholesale distribution chain continues to improve. Faced with illiquid capital markets in late calendar year 2008, each of the manufactured housing sector’s remaining inventory finance companies (floor plan lenders) initiated significant changes and some ceased lending activities in the industry entirely. Other finance programs are subject to more restrictive terms that continue to evolve and in some cases require the financial involvement of the Company. As a result, the Company entered into certain commercial loan programs whereby the Company provides a significant amount of the funds that independent financiers then lend to distributors to finance retail inventories of our products. In addition, the Company has entered into direct commercial loan arrangements with distributors, communities and developers under which the Company provides funds for financing homes (see Note 6 to the Consolidated Financial Statements). The Company’s involvement in commercial loans has increased the availability of manufactured home financing to distributors and users of our products. We believe that our participation in wholesale financing is helpful to retailers, communities and developers and allows our homes continued exposure to potential home buyers. These initiatives support the Company’s ongoing efforts to expand our distribution base in all of our markets with existing and new customers. However, the initiatives expose the Company to risks associated with the creditworthiness of certain customers and business partners, including independent retailers, developers, communities and inventory financing partners, many of whom may be adversely affected by the volatile conditions in the economy and financial markets.

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With manufacturing facilities strategically positioned across the United States, we utilize local market research to design homes to meet the demands of our customers. We have the ability to customize floor plans and designs to fulfill specific needs and interests. By offering a full range of homes from entry-level models to large custom homes with the ability to engineer designs in-house, we can accommodate virtually any customer request. In addition to homes built to the federal HUD code, we construct modular homes that conform to state and local codes, park models and cabins and light commercial buildings at many of our manufacturing facilities.

We employ a concerted effort to identify niche market opportunities where our diverse product lines and custom building capabilities provide us with a competitive advantage. Our green building initiatives involve the creation of an energy efficient envelope, including higher utilization of renewable materials. These homes provide environmentally-friendly maintenance requirements, typically lower utility costs, specially designed ventilation systems and sustainability. Cavco also builds homes designed to use alternative energy sources, such as solar and wind. Building green may significantly reduce greenhouse gas emissions without sacrificing features, style or comfort. From bamboo flooring and tankless water heaters to solar-powered homes, our products are diverse and tailored to a wide range of consumer interests. Innovation in housing design is a forte of the Company and we continue to introduce new models at competitive price points with expressive interiors and exteriors that complement home styles in the areas in which they are located.

We maintain a conservative cost structure, which enables us to build added value into our homes. We have placed a consistent focus on developing synergies among all operations. In addition, the Company has worked diligently to maintain a solid financial position. Our balance sheet strength and position in cash and cash equivalents should help us to avoid liquidity problems and enable us to act effectively as market opportunities present themselves.

We were named the 2016 Manufacturer of the Year by the members of MHI, the factory-built home industry's national trade organization, for the seventh consecutive year. We also received several product and interior design awards from MHI.

In 2008, we announced a stock repurchase program under which a total of $10.0 million may be used to repurchase our outstanding common stock. The repurchases may be made in the open market or in privately negotiated transactions in compliance with applicable state and federal securities laws and other legal requirements. The level of repurchase activity is subject to market conditions and other investment opportunities. The plan does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time. The repurchase program will be funded using our available cash. No repurchases have been made under this program to date.

Regulatory Developments

In 2010, the Dodd-Frank Act was passed into law. The Dodd-Frank Act is a sweeping piece of legislation and the financial services industry continues to assess its implications and implement necessary changes in procedures and business practices. The Dodd-Frank Act established the CFPB to regulate consumer financial products and services. Although Congress detailed significant changes, and many new rules have been implemented, the full impact will not be known for years as the development of additional rules continue, and Congress considers amending part of the Act. Enforcement actions are in the early stages and the effects of possible litigation related to the regulations remains unknown.

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In 2014, certain CFPB mortgage finance rules required under the Dodd-Frank Act became effective. The rules apply to consumer credit transactions secured by a dwelling, which include real property mortgages and chattel loans (financed without land) secured by manufactured homes. The rules defined standards for origination of "Qualified Mortgages," established specific requirements for lenders to prove borrowers' ability to repay loans and outlined the conditions under which Qualified Mortgages are subject to safe harbor limitations on liability to borrowers. The rules also established interest rates and other cost parameters for determining which Qualified Mortgages fall under safe harbor protection. Among other issues, Qualified Mortgages with interest rates and other costs outside the limits are deemed "rebuttable" by borrowers and expose the lender and its assignees (including investors in loans, pools of loans, and instruments secured by loans or loan pools) to possible litigation and penalties.

While many manufactured homes are currently financed with agency-conforming mortgages in which the ability to repay is verified, and interest rates and other costs are within the safe harbor limits established under the CFPB mortgage finance rules, certain loans to finance the purchase of manufactured homes, especially chattel loans and non-conforming land-home loans, may fall outside the safe harbor limits. The rules have caused some lenders to curtail underwriting such loans, and some investors are reluctant to own or participate in owning such loans because of the uncertainty of potential litigation and other costs. If so, some prospective buyers of manufactured homes may be unable to secure the financing necessary to complete purchases. In addition, compliance with the law and ongoing rule implementation has caused lenders to incur additional costs to implement new processes, procedures, controls and infrastructure required to comply with the regulations. Compliance may constrain lenders' ability to profitably price certain loans. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on our business and results of operations.

The CFPB rules amending the TILA and RESPA expand the types of mortgage loans that are subject to the protections of the HOEPA, revise and expand the tests for coverage under HOEPA, and impose additional restrictions on mortgages that are covered by HOEPA. As a result, certain manufactured home loans are now subject to HOEPA limits on interest rates and fees. Loans with rates or fees in excess of the limits are deemed High Cost Mortgages and provide additional protections for borrowers, including with respect to determining the value of the home. Most loans for the purchase of manufactured homes have been written at rates and fees that would not appear to be considered High Cost Mortgages under the new rule. Although some lenders may continue to offer loans that are now deemed High Cost Mortgages, the rate and fee limits appear to have deterred some lenders from offering loans to certain borrowers and may continue to make them reluctant to enter into loans subject to the provisions of HOEPA. As a result, some prospective buyers of manufactured homes may be unable to secure financing necessary to complete manufactured home purchases.

The Dodd-Frank Act amended provisions of TILA to require rules for appraisals on principal residences securing HPMLs. Certain loans secured by manufactured homes, primarily chattel loans, could be considered HPMLs. Among other things, the rule requires creditors to provide copies of appraisal reports to borrowers prior to loan closing. To implement these amendments, the CFPB adopted the HPML Appraisal Rule effective December 30, 2014 and loans secured by new manufactured homes were exempt from the rule until July 18, 2015. While effects of these new requirements are not fully known, some prospective home buyers may be deterred from completing a manufactured home purchase as a result of appraised values.

The Dodd-Frank Act also required integrating disclosures provided by lenders to borrowers under TILA and RESPA. The final rule became effective October 3, 2015. The TRID mandated extensive changes to the mortgage loan closing process and necessitated significant changes to mortgage origination systems. Since its implementation, technical ambiguities in the rule have resulted in lender and investor uncertainty regarding acceptable cures and tolerances for disclosure and estimate errors. It is not yet fully known how the GSEs and HUD will view TRID compliance, how they will apply their own interpretations of TRID to their repurchase and claims review processes, or how the market for private-label securitizations may be impacted.

The American Housing Rescue and Foreclosure Prevention Act was enacted in 2008 to provide assistance by way of legislation for the housing industry, including manufactured homes. Among other things, the act provided for increased loan limits for chattel (home-only Title I) loans to $69,678, up 43% from the previous limit of $48,600 set

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in 1992. New FHA Title I program guidelines became effective on June 1, 2010 and provide Ginnie Mae the ability to securitize manufactured home FHA Title I loans. These guidelines were intended to allow lenders to obtain new capital, which can then be used to fund new loans for our customers. Chattel loans have languished for several years and these changes were meant to broaden chattel financing availability for prospective homeowners. However, we are aware of only a small number of loans currently being securitized under the Ginnie Mae program.

The SAFE Act established requirements for the licensing and registration of all individuals that are MLOs. MLOs must be registered or licensed by the states. Traditionally, manufactured housing retailers have assisted home buyers with securing financing for the purchase of homes. This assistance may have included assisting with loan applications and presenting terms of loans. Under the SAFE Act, these activities are prohibited unless performed by a registered or licensed MLO. Although the definition of an MLO contains exemptions for administrative and other specific functions and industries, manufactured housing retailers are no longer able to negotiate rates and terms for loans unless they are licensed as MLOs. Compliance may have required manufactured housing retailers to become licensed lenders and employ MLOs, or alter business practices related to assisting home buyers in securing financing. This may have resulted in increased costs for retailers who elect to employ MLOs, penalties assessed against or litigation costs incurred by retailers found to be in violation, reduced home sales from home buyers' inability to secure financing without retailer assistance, or increased costs to home buyers or reduced transaction profitability for retailers as a result of the additional cost of mandatory MLO involvement.

If passed by Congress and signed into law, the proposed Preserving Access to Manufactured Housing Act (Senate Bill 682 and House of Representatives Bill 650) would amend some Dodd-Frank Act provisions that affect manufactured housing financing. The bill would revise the triggers by which small-sized manufactured home loans are considered "High-Cost" under HOEPA and clarify the MLO licensing requirements for manufactured home retailers and their employees.

Our sale of insurance products is subject to various state insurance laws and regulations which govern allowable charges and other insurance practices. Standard Casualty's insurance operations are regulated by the state insurance boards where it underwrites its policies. Underwriting, premiums, investments and capital reserves (including dividend payments to stockholders) are subject to the rules and regulations of these state agencies.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act ("Health Reform Law"), was passed into law. As enacted, the Health Reform Law reforms, among other things, certain aspects of health insurance. The Health Reform Law may continue to increase our healthcare costs, adversely impacting the Company's earnings.

Governmental authorities have the power to enforce compliance with their regulations, and violations may result in the payment of fines, the entry of injunctions or both. Although we believe that our operations are in substantial compliance with the requirements of all applicable laws and regulations, these requirements have generally become more strict in recent years. Accordingly, we are unable to predict the ultimate cost of compliance with all applicable laws and enforcement policies.

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Results of Operations

Fiscal Year 2016 Compared to Fiscal Year 2015

Net Revenue. The following table summarizes net revenue for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Net revenue:				
Factory-built housing	$655,148	$513,707	$141,441	27.5 %
Financial services	57,204	52,952	4,252	8.0 %
	$712,352	$566,659	$145,693	25.7 %
Total homes sold	12,339	9,999	2,340	23.4 %
Net factory-built housing revenue per home sold	$53,096	$51,376	$1,720	3.3 %

Factory-built housing segment revenue increased, primarily from businesses acquired during the first quarter of fiscal year 2016, while the remainder of the increase was from sales growth at the Company's pre-existing factory-built housing operations.

Financial services segment revenue increased, resulting from 11.8% more insurance policies in force in the current year compared to the prior year as well as an increase of 4.3% in the number of home loans serviced for others, year over year. Financial services segment revenue is partially offset by lower interest income earned on securitized loan portfolios that continue to amortize.

Net revenue per home is a volatile metric dependent upon several factors. A primary factor is the price disparity between sales of homes to independent retailers, builders, communities and developers ("Wholesale") and sales of homes to consumers by Company-owned retail centers ("Retail"). Wholesale sales prices are primarily comprised of the home and the cost to ship the home from a homebuilding facility to the home-site. Retail home prices include these items and retail markup, as well as items that are largely subject to home buyer discretion, including, but not limited to, land, installation, utilities, site improvements, landscaping and additional services. Changes to the proportion of home sales among these distribution channels between reporting periods impacts the overall net revenue per home sold. Further, fluctuations in the net revenue per home sold are the result of changes in product mix, which results from home buyer tastes and preferences as they select home types/models, as well as optional home upgrades when purchasing the home. These selections vary regularly based on consumer interests, local housing preferences and economic circumstances. Our product prices are also periodically adjusted for the cost and availability of raw materials included in and labor used to produce each home. For these reasons, we have experienced, and expect to continue to experience, volatility in overall net revenue per home sold.

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Gross Profit. The following table summarizes gross profit for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Gross profit:				
Factory-built housing	$116,896	$94,697	$22,199	23.4 %
Financial services	27,549	31,439	(3,890)	(12.4)%
	$144,445	$126,136	$18,309	14.5 %
Gross profit as % of Net revenue:	20.3 %	22.3 %	N/A	(2.0)%

The increase in factory-built housing gross profit is primarily from higher home sales volume pertaining to businesses acquired during the first quarter of fiscal year 2016, while the remainder of the increase was from sales growth at the Company's pre-existing factory-built housing operations.

Gross profit decreased for financial services mainly from higher insurance claim losses and lower interest income earned on securitized loan portfolios that continue to amortize, partially offset by gross profit earned on increased insurance policies in force and higher loan servicing volume. Higher insurance claims losses included record setting storms in Texas during fiscal 2016. While claims activity typically spikes in April and May each year, a prime season for storm activity in the area, the severity of the hail and wind storms and the damage to insured homes were considerably greater than during the same period last year. Losses on these catastrophic events were somewhat mitigated by reinsurance contracts in place.

Selling, General and Administrative Expenses. The following table summarizes Selling, General and Administrative Expenses for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Selling, general and administrative expenses:				
Factory-built housing	$83,335	$73,169	$10,166	13.9 %
Financial services	14,768	14,490	278	1.9 %
	$98,103	$87,659	$10,444	11.9 %
Selling, general and administrative expenses as % of Net revenue:	13.8 %	15.5 %	N/A	(1.7)%

Factory-built housing selling, general and administrative expenses increased from the addition of the Fairmont Homes and Chariot Eagle factories acquired during the first quarter of the fiscal year 2016 and increased incentive compensation from increased home sales overall.

Selling, general and administrative expenses for financial services remained relatively consistent from ongoing operating stability.

As a percentage of net revenue, selling, general and administrative expenses decreased from increased utilization on higher net revenue from recently acquired businesses and pre-existing operations.

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Interest Expense. The following table summarizes Interest Expense for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Interest expense	$4,363	$ 4,587	$ (224)	(4.9)%

Interest expense, consists primarily of debt service on securitization financings connected to the CountryPlace securitized manufactured home loan portfolios. Interest expense also includes interest related to the capital lease of certain manufacturing facilities and land from the Fairmont acquisition. The decrease is mainly from continued principal reductions of the securitization financings, partially offset by capital lease related interest.

Other Income, net. The following table summarizes Other Income, net for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Other income, net	$2,049	$ 3,437	$(1,388)	(40.4)%

The majority of Other income, net, is attributable to interest income earned on commercial loans receivable in the factory built housing segment. Other income also includes periodic gains, losses or impairment on property, plant and equipment, including assets held for sale or sold. During the year ended March 28, 2015, the Company sold inactive manufacturing facilities in Albemarle, North Carolina and Woodland, California and two idle retail locations for a combined net gain of $1.4 million.

Income Before Income Taxes. The following table summarizes Income Before Income Taxes for fiscal years 2016 and 2015.

	Year Ended			
	April 2, 2016	March 28, 2015	$ Change	% Change
	(Dollars in thousands)			
Income before income taxes:				
Factory-built housing	$35,440	$ 25,133	$10,307	41.0 %
Financial services	8,588	12,194	(3,606)	(29.6)%
	$44,028	$ 37,327	$6,701	18.0 %

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Fiscal Year 2015 Compared to Fiscal Year 2014

Net Revenue. The following table summarizes net revenue for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Net revenue:				
Factory-built housing	$513,707	$485,897	$27,810	5.7 %
Financial services	52,952	47,442	5,510	11.6 %
	$566,659	$533,339	$33,320	6.2 %
Total homes sold	9,999	9,537	462	4.8 %
Net revenue per home sold	$51,376	$50,949	$427	0.8 %

Factory-built housing segment revenue increased, primarily from higher home sales volume and an increased net revenue per home sold. The improved home sales volume and net revenue per home sold resulted from strengthening market conditions.

Financial services segment revenue increased, resulting from 16.1% more insurance policies in force compared to the prior year as well as an increase of 2.4% in home loan sales volume year over year. Financial services segment revenue is partially offset by lower interest income earned on securitized loan portfolios that continue to amortize.

Net revenue per home sold was favorably impacted by an increase in optional home upgrades and a larger proportion of higher price-point homes sold. The overall net revenue per home metric is discussed further above.

Gross Profit. The following table summarizes gross profit for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Gross profit:				
Factory-built housing	$94,697	$89,120	$5,577	6.3 %
Financial services	31,439	30,363	1,076	3.5 %
	$126,136	$119,483	$6,653	5.6 %
Gross profit as % of Net revenue:	22.3 %	22.4 %	N/A	(0.1)%

The increase in factory-built housing gross profit is reflective of improved production efficiencies from higher home sales volume.

Gross profit improved for financial services from lower insurance claims as a percentage of insurance premium revenue and loan production operating leverage on increased loan sales volume, but is partially offset by lower interest income earned on securitized loan portfolios that continue to amortize.

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Selling, General and Administrative Expenses. The following table summarizes Selling, General and Administrative Expenses for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Selling, general and administrative expenses:				
Factory-built housing	$73,169	$74,478	$(1,309)	(1.8)%
Financial services	14,490	13,460	1,030	7.7 %
	$87,659	$87,938	$(279)	(0.3)%
Selling, general and administrative expenses as % of Net revenue:	15.5 %	16.5 %	N/A	(1.0)%

Factory-built housing and general corporate expenses decreased from a change in earnings-based incentive compensation structures and lower stock-based compensation, offset by increased salary expense.

Selling, general and administrative expenses for financial services increased from costs related to higher insurance premium revenue and loan sales volume.

Interest Expense. The following table summarizes Interest Expense for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Interest expense	$4,587	$ 4,845	$(258)	(5.3)%

Interest expense, all attributable to the Company's financial services segment, consisted primarily of debt service on securitization financings connected to the CountryPlace securitized manufactured home loan portfolios and decreased in connection with the continued principal reductions of the securitization financings.

Other Income, net. The following table summarizes Other Income, net for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Other income, net	$3,437	$ 1,105	$2,332	211.0 %

The majority of Other income, net is attributable to interest income earned on commercial loans receivable in the factory built housing segment. Other income also includes periodic gains, losses or impairment on property, plant and equipment, including assets held for sale or sold. Other income, net increased mainly from the sale of idle real estate properties. During the year ended March 28, 2015, the Company sold inactive manufacturing facilities in Albemarle, North Carolina and Woodland, California and real estate in Lakeland, Florida and Chino Valley, Arizona for a combined net gain of $1.4 million.

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Income Before Income Taxes. The following table summarizes Income Before Income Taxes for fiscal years 2015 and 2014.

	Year Ended			
	March 28, 2015	March 29, 2014	$ Change	% Change
	(Dollars in thousands)			
Income before income taxes:				
Factory-built housing	$25,133	$ 16,223	$ 8,910	54.9 %
Financial services	12,194	11,582	612	5.3 %
	$37,327	$ 27,805	$ 9,522	34.2 %

Liquidity and Capital Resources

We believe that cash and cash equivalents at April 2, 2016, together with cash flow from operations, will be sufficient to fund our operations and provide for growth for the next 12 months and into the foreseeable future. We maintain cash in various deposit accounts, the balances of which are in excess of federally insured limits. We expect to continue to evaluate potential acquisitions of, or strategic investments in, businesses that are complementary to our business. Such transactions may require the use of cash and have other impacts on the Company's liquidity and capital resources in the event of such a transaction. Recent acquisitions of Fairmont Homes and Chariot Eagle did not have a significant impact on our liquidity or capital resources. Because of the Company’s sufficient cash position, the Company has not sought external sources of liquidity, such as a credit facility; however, depending on our operating results and strategic opportunities, we may need to seek additional or alternative sources of financing. There can be no assurance that such financing would be available on satisfactory terms, if at all. If this financing were not available, it could be necessary for us to reevaluate our long-term operating plans to make more efficient use of our existing capital resources. The exact nature of any changes to our plans that would be considered depends on various factors, such as conditions in the factory-built housing industry and general economic conditions outside of our control.

Projected cash to be provided by or used in operations in the coming year is largely dependent on sales volume. Operating activities provided $43.5 million of cash during the year ended April 2, 2016, compared to $25.7 million during the year ended March 28, 2015. Cash provided by operating activities during the year ended April 2, 2016 was primarily the result of cash generated by operating income before non-cash charges, collections of principal payments on consumer loans receivable, higher accounts payable and accrued liabilities, including factory warranties, wages and insurance loss reserves. These increases were partially offset by increases in commercial loans receivable from further expansion of our distribution-based lending programs. Cash provided by operating activities during the year ended March 28, 2015 was primarily the result of cash generated by operating income before non-cash charges, collections of principal payments on consumer loans receivable, utilization of deferred tax assets and higher accounts payable, accrued wages and unearned insurance premium accruals. These increases were partially offset by net funding of consumer lending operations and increases in accounts receivable and inventories.

Consumer loan originations decreased $8.7 million to $99.3 million during the year ended April 2, 2016 from $108.0 million during the year ended March 28, 2015. This decrease is primarily a result of decreased home lending activity. Proceeds from the sale of consumer loans provided $101.1 million in cash, compared to $100.4 million in the previous year, a net increase of $0.7 million. The primary reason for the increase relates to the timing of loan origination and related sales, offset by an increase in consumer loans held for investment of $1.1 million.

With respect to consumer lending for the purchase of manufactured housing, states may classify manufactured homes for both legal and tax purposes as personal property rather than real estate. As a result, financing for the purchase of manufactured homes is thereby characterized by shorter loan maturities and higher interest rates. Unfavorable changes in these factors and the current adverse trend in the availability and terms of financing in the industry may have material negative effects on our results of operations and financial condition. See Item IA, "Risk Factors."

As a result of the 2008 credit crisis, national floor plan lenders substantially curtailed their lending activities, and others announced their intention to exit the business. The continuing reduction in available inventory financing has had an adverse effect on the manufactured housing industry and has negatively impacted the ability of our retailers to obtain floor plan financing for home inventory purchases. To further support floor plan availability for our retailers, Cavco has entered into programs to provide some of the capital used by inventory lenders to finance wholesale home purchases by retailers. In addition, the Company has entered into direct commercial loan arrangements with distributors, communities and developers under which the Company provides funds for financing homes and invested in community-based lending initiatives that provide home-only financing to new residents of certain manufactured home communities (see Note 6 to the Consolidated Financial Statements).

Investing activities required the use of $38.2 million of cash during the year ended April 2, 2016, compared to $2.1 million used during the year ended March 28, 2015. In the current period, cash of $28.1 million was used for the purchase of certain assets and liabilities of Fairmont Homes and Chariot Eagle as well as the purchase of publicly-traded securities by Standard Casualty for its investment portfolio and investments in community-based lending institutions that provide home-only loans to residents of certain manufactured home communities, offset by that subsidiary's investment sales. Cash used by investing activities in the prior period was primarily for purchases of publicly-traded securities by Standard Casualty for its investment portfolio and investments in community-based lending institutions that provide home-only loans to residents of certain manufactured home communities, offset by investment sales from the Standard Casualty investment portfolio as well as proceeds from sales of assets held for sale in our factory-built housing segment.

Financing activities used $4.1 million in cash during the year ended April 2, 2016, primarily from payments on securitized financings, offset by loan sales accounted for as other secured financings and tax benefits from stock option exercises now able to be realized. In the prior year, financing activities provided $49,000 in cash during the year ended, primarily resulting from $3.7 million in tax benefits from stock option exercises now able to be realized, $3.6 million in loan sales accounted for as other secured financings and $0.5 million from the issuance of common stock under our stock incentive plan, offset by $7.7 million used to repay securitized financings.

CountryPlace’s securitized debt is subject to provisions that require certain levels of overcollateralization. Overcollateralization is equal to CountryPlace's equity in the bonds. Failure to satisfy these provisions could cause cash, which would normally be distributed to CountryPlace, to be used for repayment of the principal of the related Class A bonds until the required overcollateralization level is reached. During periods when the overcollateralization is below the specified level, cash collections from the securitized loans in excess of servicing fees payable to CountryPlace and amounts owed to the Class A bondholders, trustee and surety, are applied to reduce the Class A debt until such time the overcollateralization level reaches the specified level. Therefore, failure to meet the overcollateralization requirement could adversely affect the timing of cash flows received by CountryPlace. However, principal payments of the securitized debt, including accelerated amounts, is payable only from cash collections from the securitized loans and no additional sources of repayment are required or permitted. As of April 2, 2016, the 2005-1 and 2007-1 securitized portfolios were within the required overcollateralization level.

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Contractual Obligations and Commitments

The following table summarizes our contractual obligations at April 2, 2016, consisting of future payments under securitized financings, non-cancelable operating lease agreements, and capital lease agreements. For additional information related to these obligations, see Notes 12, 15 and 8, respectively, to the Consolidated Financial Statements. This table excludes long-term obligations for which there is no definite commitment period.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in thousands)				
Debt obligations:					
Securitized financing 2005-1 (1)	$31,831	$4,413	$7,374	$20,044	$—
Securitized financing 2007-1 (1)	34,554	4,643	7,173	22,738	—
Commitments for future payments under noncancelable operating leases	9,858	2,997	4,466	2,182	213
Commitments for future payments under capital leases	2,805	289	795	1,721	—
Total contractual obligations	$79,048	$12,342	$19,808	$46,685	$213

(1) Interest is calculated by applying contractual interest rates to month-end balances. The timing of these estimated payments fluctuates based upon various factors, including estimated loan portfolio prepayment and default rates.

The following table summarizes our contingent commitments at April 2, 2016, consisting of contingent repurchase obligations, letters of credit and remaining construction contingent commitments. For additional information related to these contingent obligations, see Note 15 to the Consolidated Financial Statements.

	Contingent Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in thousands)				
Repurchase obligations (1)	$46,620	$39,720	$6,900	$ —	$ —
Letters of credit (2)	$7,000	7,000	—	—	—
Construction contingent commitment (3)	$8,543	8,543	—	—	—
Total contractual obligations	$62,163	$55,263	$6,900	$ —	$ —

(1) Although the repurchase obligations outstanding at April 2, 2016 have a finite life, these commitments are continually replaced as we continue to sell manufactured homes to retailers under repurchase and other recourse agreements with lending institutions which have provided wholesale floor plan financing to retailers.

(2) While the current letters of credit have finite lives, they are subject to renewal based on their underlying requirements.

(3) The total loan contract amount, less cumulative advances, represents an off-balance sheet contingent commitment of CountryPlace to fund future advances.

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Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following accounting policies are critical to our operating results or may affect significant judgments and estimates used in the preparation of its Consolidated Financial Statements.

Factory-Built Housing Revenue Recognition. Revenue from homes sold to independent retailers is generally recognized when the home is shipped, at which time title passes to the independent retailer and collectability is reasonably assured. Homes sold to independent retailers are generally either paid for prior to shipment or floor plan financed by the independent retailer through standard industry arrangements, which can include repurchase agreements. Manufacturing sales financed under repurchase agreements are reduced by a provision for estimated repurchase obligations (see Note 15). Revenue from homes sold under commercial loan programs involving funds provided by the Company is either deferred until such time that payment for the related commercial loan receivable is received by the Company or recognized when the home is shipped, depending on the nature of the program and borrower (see Note 6 for discussion of Commercial loans receivable). Retail sales by Company-owned retail locations are generally recognized when the customer has entered into a legally binding sales contract, the home is delivered and permanently located at the customer's site, accepted by the customer, title has transferred and funding is reasonably assured.

Some of the Company’s independent retailers operate multiple sales outlets. No independent retailer accounted for 10% or more of our factory-built housing revenue during any fiscal year within the three-year period ended April 2, 2016.

Financial Services Revenue Recognition. Premium amounts collected on policies issued and assumed by Standard Casualty are amortized on a straight-line basis into net revenue over the life of the policy. Premiums earned are net of reinsurance ceded. Policy acquisition costs are also amortized as cost of sales over the life of the policy.

On April 23, 2011, the date of the Palm Harbor acquisition (the "Palm Harbor Acquisition Date"), management evaluated consumer loans receivable held for investment by CountryPlace to determine whether there was evidence of deterioration of credit quality and if it was probable that CountryPlace would be unable to collect all amounts due according to the loans’ contractual terms. The Company also considered expected prepayments and estimated the amount and timing of undiscounted expected principal, interest and other cash flows. The Company determined the excess of the loan pool’s scheduled contractual principal and contractual interest payments over the undiscounted cash flows expected as of the Palm Harbor Acquisition Date as an amount that is not accreted into interest income (the non-accretable difference). The cash flow expected to be collected in excess of the carrying value of the acquired loans is accreted into interest income over the remaining life of the loans (referred to as accretable yield). Interest income on consumer loans receivable is recognized as net revenue (see Note 5).

For loans originated by CountryPlace and held for sale, loan origination fees and gains or losses on sales are recognized as net revenue upon title transfer of the loans. CountryPlace provides third-party servicing of mortgages and earns servicing fees each month based on the aggregate outstanding balances. Servicing fees are recognized as net revenue when earned.

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Warranties. We provide the retail home buyer a one-year limited warranty covering defects in material or workmanship in home structure, plumbing and electrical systems. Nonstructural components of a cosmetic nature are warranted for 120 days, except in specific cases where state laws require longer warranty terms. We record a liability for estimated future warranty costs relating to homes sold, based upon our assessment of historical experience factors. Factors we use in the estimation of the warranty liability include the estimated amount of homes still under warranty including homes in retailer inventories, homes purchased by consumers still within the one-year warranty period, the timing in which work orders are completed and the historical average costs incurred to service a home. We have a reserve for estimated warranties of $13.4 million and $10.0 million at April 2, 2016 and March 28, 2015, respectively. Construction defect claims may arise during a significant period of time after product completion. Although we maintain general liability insurance and reserves for such claims, based on our assessments as described above, which to date have been adequate, there can be no assurance that warranty and construction defect claims will remain at current levels or that such reserves will continue to be adequate. A large number of warranty and construction defect claims exceeding our current levels could have a material adverse effect on our results of operations.

Reserve for Repurchase Commitments. Manufactured housing companies customarily enter into repurchase and other recourse agreements with lending institutions that have provided wholesale floor plan financing to retailers. A significant portion of our sales are made to retailers pursuant to repurchase agreements with lending institutions. These agreements generally provide that we will repurchase our new products from the lending institutions in the event such product is repossessed upon a retailer’s default. The risk of loss under repurchase agreements is lessened by certain factors, including the following:

- sales of our manufactured homes are spread over a relatively large number of independent retailers;
- the price that we are obligated to pay under such repurchase agreements declines based on predetermined amounts over the period of the agreement (generally 18 to 36 months); and
- we have historically been able to resell homes repurchased from lenders.

The Company applies FASB ASC 460, Guarantees ("ASC 460") and FASB ASC 450-20, Loss Contingencies ("ASC 450-20"), to account for its liability for repurchase commitments. Under the provisions of ASC 460, issuance of a guarantee results in two different types of obligations: (1) a non-contingent obligation to stand ready to perform under the repurchase commitment (accounted for pursuant to ASC 460) and (2) a contingent obligation to make future payments under the conditions of the repurchase commitment (accounted for pursuant to ASC 450-20). Management reviews retailers' inventories to estimate the amount of inventory subject to repurchase obligation, which is used to calculate (1) the fair value of the non-contingent obligation for repurchase commitments and (2) the contingent liability based on historical information available at the time. During the period in which a home is sold (inception of a repurchase commitment), the Company records the greater of these two calculations as a liability for repurchase commitments and as a reduction to revenue.

(1) The Company estimates the fair value of the non-contingent portion of its manufacturer's inventory repurchase commitment under the provisions of ASC 460 when a home is shipped to retailers whose floor plan financing includes a repurchase commitment. The fair value of the inventory repurchase agreement is determined by calculating the net present value of the difference in (a) the Company's interest cost to carry the inventory over the maximum repurchase liability period at the prevailing floor plan note interest rate and (b) the retailer's interest cost to carry the inventory over the maximum repurchase liability period at the interest rate of a similar type loan without a manufacturer's repurchase agreement in force. Following the inception of the commitment, the recorded reserve is reduced over the repurchase period in conjunction with applicable curtailment arrangements and is eliminated once the retailer sells the home.

(2) The Company estimates the contingent obligation to make future payments under its manufacturer's inventory repurchase commitment for the same pool of commitments as used in the fair value calculation above and records the greater of the two calculations. This contingent obligation is estimated using historical loss factors, including the frequency of repurchases and the losses experienced by the Company for repurchased inventory.

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Additionally, subsequent to the inception of the repurchase commitment, the Company evaluates the likelihood that it will be called on to perform under the inventory repurchase commitments. If it becomes probable that a retailer will default and an ASC 450-20 loss reserve should be recorded, then such contingent liability is recorded equal to the estimated loss on repurchase. Based on identified changes in retailers' financial conditions, the Company evaluates the probability of default for retailers who are identified at an elevated risk of default and applies a probability of default, based on historical default rates. Commensurate with this default probability evaluation, the Company reviews repurchase notifications received from floor plan sources and reviews retailer inventory for expected repurchase notifications based on various communications from the lenders and retailers. The Company's repurchase commitments for the retailers in the category of elevated risk of default are excluded from the pool of commitments used in both of the calculations at (1) and (2) above. Changes in the reserve are recorded as an adjustment to revenue. The maximum amount for which the Company was contingently liable under such agreements approximated $46.6 million and $28.3 million at April 2, 2016 and March 28, 2015, respectively, without reduction for the resale value of the homes. The Company had a reserve for repurchase commitments of $1.7 million and $2.2 million at April 2, 2016 and March 28, 2015, respectively. The Company made payments totaling $393,000 under repurchase commitments during fiscal year 2016 and $127,000 in 2015.

Retailer Volume Rebates. The Company’s manufacturing operations sponsor volume rebate programs under which certain sales to retailers, builders and developers can qualify for cash rebates generally based on the level of sales attained during a twelve-month period. Volume rebates are accrued at the time of sale and are recorded as a reduction of net revenue.

Impairment of Long-Lived Assets. The Company periodically evaluates the carrying value of long-lived assets to be held and used and when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from such assets is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are based primarily on independent appraisals and preliminary or definitive contractual arrangements less costs to dispose. The Company recorded no impairment charges on long-lived assets during fiscal year 2016 or fiscal year 2015 and $0.6 million in fiscal year 2014.

Income Taxes and Deferred Tax Assets and Liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial statement amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company periodically evaluates the deferred tax assets based on the requirements established in FASB ASC 740, Income Taxes, which requires the recording of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of the need for or amount of any valuation allowance involves significant management judgment and is based upon the evaluation of both positive and negative evidence, including estimates of anticipated taxable profits in various jurisdictions with which the deferred tax assets are associated. At April 2, 2016, the Company evaluated forecasted taxable profits and determined that, except for certain state net operating loss deferred tax assets, all other deferred tax assets would be utilized in future periods. A valuation allowance of $26,000 was recorded during fiscal year 2016 against the related deferred tax asset. Ultimate realization of the deferred tax assets depends on our ability to meet these forecasts in future periods. Changes in events or expectations could result in significant adjustments, which could include the recording of additional valuation allowance and material changes to the provision for income taxes.

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Goodwill and Other Intangibles. We test goodwill annually for impairment by reporting unit by first making a qualitative assessment, and if necessary, performing the two-step test and recording an impairment charge if the implied fair value of a reporting unit, including goodwill, is less than its carrying value. We generally utilize a discounted cash flow methodology to test for impairment of goodwill. The results of discounted cash flow methodology depend upon a number of estimates and assumptions relating to cash flows, discount rates and other matters. Accordingly, such testing is subject to uncertainties, which could cause the fair value of goodwill to fluctuate from period to period. Indefinite-lived intangible assets are assessed annually for impairment first by making a qualitative assessment, and if necessary, performing a quantitative assessment and recording an impairment charge if the fair value of the asset is less than its carrying amount.

As of April 2, 2016, all of our goodwill is attributable to our factory-built housing reporting unit. We performed our annual goodwill impairment analysis as of April 2, 2016. In accordance with Accounting Standards Update ("ASU") No. 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment, we opted to first assess qualitative factors to determine that it was more likely than not that the fair value of a reporting unit is not less than its carrying amount. As a result, performing the two-step impairment test was determined to be unnecessary for fiscal year 2016.

In the event that we are not able to achieve expected cash flow levels, or other factors indicate that goodwill is impaired, we may need to write off all or part of our goodwill, which would adversely affect our operating results and net worth. See Item 1A, "Risk Factors."

Accretable Yield on Consumer Loans Receivable and Securitized Financings. The Company acquired consumer loans receivable and securitized financings during the first quarter of fiscal 2012 as a part of the Palm Harbor transaction. Acquired consumer loans receivable held for investment and securitized financings were acquired at fair value, which resulted in a discount, and subsequently are accounted for a manner similar to FASB ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310-30") to accrete the discount.

The Company considers expected prepayments and default rates and estimates the amount and timing of undiscounted expected principal, interest and other cash flows for consumer loans receivable held for investment to determine the expected cash flows on securitized financings and the contractual payments. The amount of contractual principal and contractual interest payments due on the securitized financings in excess of all cash flows expected as of the Palm Harbor Acquisition Date cannot be accreted into interest expense (the non-accretable difference). The remaining amount is accreted into interest expense over the remaining life of the obligation (referred to as accretable yield). For additional information, see Note 5 to the Consolidated Financial Statements.

Redeemable Noncontrolling Interest. Since acquiring Fleetwood, financial information for the Fleetwood operations has been included in the Consolidated Financial Statements and the related Notes in accordance with the provisions of FASB ASC 810, Consolidation ("ASC 810"). Management determined that, although Fleetwood was only 50 percent owned by the Company, Cavco had a controlling interest and was required to fully consolidate the results of Fleetwood. The primary factors that contributed to this determination were Cavco’s management and board control of Fleetwood, wherein members of Cavco’s management held all of the seats on the Board of Directors of Fleetwood. In addition, as part of a management services agreement among Cavco, Fleetwood and Third Avenue, Cavco provided all executive-level management services to Fleetwood including, among other things, general management oversight, marketing and customer relations, accounting and cash management. Third Avenue’s financial interest in Fleetwood was considered a "redeemable noncontrolling interest" and was designated as such in the Consolidated Financial Statements (see Notes 1 and 20 to the Consolidated Financial Statements).

On July 22, 2013, Cavco purchased all noncontrolling interests in Fleetwood pursuant to a Stock Purchase Agreement with Third Avenue (the "Stock Purchase Agreement") (see Note 21 to the Consolidated Financial Statements). As a result of the transaction, Cavco owns 100 percent of Fleetwood and its holdings, including Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty. The transaction eliminated the need for noncontrolling interest accounting.

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Other Matters

Related Party Transactions. On July 22, 2013, Cavco completed the purchase of all noncontrolling interests in Cavco's subsidiary that owns Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty from Third Avenue. The Company satisfied the purchase price with 1,867,370 shares of Cavco common stock (the "Cavco Shares"). Third Avenue is considered a principal owner, and therefore a related party, under ASC 850, Related Party Disclosures ("ASC 850"). Subsequent to the transaction closing, Cavco owns 100 percent of Fleetwood and Third Avenue beneficially owned approximately 22.8% of Cavco's outstanding common stock. As of April 2, 2016, Third Avenue Management LLC beneficially owned approximately 8.2% of our outstanding common shares. Third Avenue Management LLC and Third Avenue Value Fund are either directly or indirectly under common control.

The Company issued the Cavco Shares in reliance upon the exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. In accordance with the Stock Purchase Agreement, the Company filed a registration statement with the SEC seeking registration of the Cavco Shares. The SEC declared the registration statement effective on October 11, 2013. However, Third Avenue remains subject to certain restrictions on the ability to transfer Cavco Shares. During the Standstill Period (defined below) Cavco has a "right of first offer" to acquire any Cavco Shares that either of the Third Avenue parties wishes to transfer to independent third parties. Additionally, pursuant to the Stock Purchase Agreement, Third Avenue agreed, from and after the closing and continuing until the termination of the Standstill Period, that it would vote all Cavco Shares in accordance with the recommendations of the Company's Board of Directors with respect to any action, proposal or other matter to be voted on by the stockholders of Cavco.

The "Standstill Period" ends on the earlier of (i) the fourth anniversary of the Closing Date (July 22, 2017) or (ii) the third anniversary of the Closing Date (July 22, 2016) if Third Avenue owns less than 12.5% of the outstanding Cavco common stock on the third anniversary date. Additionally, during the Standstill Period, Third Avenue has agreed not to do any of the following without the prior written consent of the Company: acquire beneficial ownership of common equity securities of the Company or any other securities of the Company entitled to vote generally in the election of directors of the Company; deposit any securities of the Company in a voting trust or similar arrangement or subject any voting securities of the Company to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any voting securities of the Company; enter, agree to enter, propose or offer to enter into or facilitate any merger, business combination, tender offer, recapitalization, restructuring, change in control transaction or other similar extraordinary transaction involving the Company or any of its subsidiaries; make, or in any way participate or engage in, any "solicitation" of "proxies" to vote, or advise or knowingly influence any person with respect to the voting of, any voting securities of the Company or any of its subsidiaries; call, or seek to call, a meeting of the shareholders of the Company or initiate any shareholder proposal for action by the shareholders of the Company; form, join or in any way participate in a Group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to any voting securities of the Company; otherwise act, alone or in concert with others, to seek to control or influence the Board or the management or policies of the Company; publicly disclose any intention, plan or arrangement prohibited by, or inconsistent with, the foregoing; advise or knowingly assist or encourage or enter into any discussions, negotiations, agreements or arrangements with any other person or Group (within the meaning of Section 13(d)(3) of the Exchange Act) in connection with the foregoing; or knowingly transfer more than 3% of the Cavco Shares to any one individual or entity.

In July 2015, the Company's CEO made a payment of $1.1 million to the Company, representing the repayment of performance bonuses related to fiscal 2012, 2014 and 2015 that were determined to be in excess of the 2005 Stock Incentive Plan limits and made to the CEO during those periods.

Impact of Inflation. We believe that the general inflation rate over the past several years has not had a significant impact on our revenue or profitability, but we can give no assurance that this trend will continue in the future. However, sudden increases in specific costs, such as the increases in material costs, as well as price competition, can affect our ability to increase our selling prices and adversely impact our results of operations. Therefore, we can give no assurance that inflation or the impact of rising material costs will not have a significant impact on our revenue or results of operations in the future.

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Impact of Accounting Standards. In September 2013, the United States Treasury and the Internal Revenue Service issued final regulations regarding the deduction and capitalization of expenditures related to tangible property. The final regulations under Internal Revenue Code Sections 162, 167 and 263(a) apply to amounts paid to acquire, produce, or improve tangible property as well as dispositions of such property and are generally effective for tax years beginning on or after January 1, 2014. These regulations have not had a material impact on our consolidated results of operations, cash flows or financial position.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company's contracts with customers. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of the new revenue standard. Accordingly, the updated standard will be effective for us beginning the first quarter of the Company's fiscal year 2019, with early application permitted in fiscal year 2018. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently evaluating the effect ASU 2014-09 will have on the Company's Consolidated Financial Statements and disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 will be effective beginning with the Company's fiscal year 2019 annual report and interim periods thereafter, with early adoption permitted. In this update, entities are required to present all deferred tax liabilities and assets as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The standard can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. As this standard impacts presentation only, the adoption of ASU 2015-17 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 will be effective beginning with the first quarter of the Company's fiscal year 2019. The amendments require certain equity investments to be measured at fair value with changes in the fair value recognized through net income. The Company is currently evaluating the effect ASU 2016-01 will have on the Company's Consolidated Financial Statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 will be effective beginning with the first quarter of the Company's fiscal year 2020, with early adoption permitted. The amendments require the recognition of lease assets and lease liabilities on the balance sheet for most leases, but recognize expenses in the income statement in a manner similar to current accounting treatment. In addition, disclosures of key information about leasing arrangements are required. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the effect ASU 2016-02 will have on the Company's Consolidated Financial Statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation- Stock Compensation (Topic 718) ("ASU 2016-09"). ASU 2016-09 will be effective beginning with the first quarter of the Company's fiscal year 2018, with early adoption permitted. The amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is currently evaluating the effect ASU 2016-09 will have on the Company's Consolidated Financial Statements and disclosures.

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From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's Consolidated Financial Statements upon adoption.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. We may from time to time be exposed to interest rate risk inherent in our financial instruments, but are not currently subject to foreign currency or commodity price risk. We manage our exposure to these market risks through our regular operating and financing activities.

Our operations are interest rate sensitive. As overall manufactured housing demand can be adversely affected by increases in interest rates, a significant increase in wholesale or mortgage interest rates may negatively affect the ability of retailers and home buyers to secure financing. Higher interest rates could unfavorably impact our revenues, gross margins and net earnings. Our business is also sensitive to the effects of inflation, particularly with respect to raw material and transportation costs. We may not be able to offset inflation through increased selling prices.

CountryPlace is exposed to market risk related to the accessibility and terms of long-term financing of its loans. In the past, CountryPlace accessed the asset-backed securities market to provide term financing of its chattel and non-conforming mortgage originations. At present, independent asset-backed and mortgage-backed securitization markets are not readily available to CountryPlace and other manufactured housing lenders. Accordingly, CountryPlace has not continued to securitize its loan originations as a means to obtain long-term funding.

We are also exposed to market risks related to our fixed rate consumer and commercial loan notes receivables, as well as our securitized financings balances. For fixed rate instruments, changes in interest rates do not change future earnings and cash flows. However, changes in interest rates could affect the fair value of these instruments. Assuming the level of these instruments as of April 2, 2016, is held constant, a 1% unfavorable change in average interest rates would adversely impact the fair value of these instruments, as follows (in thousands):

	Change in Fair Value
Consumer loans receivable	$5,511
Commercial loans receivable	$167
Securitized financings	$1,093

In originating loans for sale, CountryPlace issues interest rate lock commitments ("IRLCs") to prospective borrowers and third-party originators. These IRLCs represent an agreement to extend credit to a loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to loan closing or sale. These IRLCs bind CountryPlace to fund the approved loan at the specified rate regardless of whether interest rates or market prices for similar loans have changed between the commitment date and the closing date. As such, outstanding IRLCs are subject to interest rate risk and related loan sale price risk during the period from the date of the IRLC through the earlier of the loan sale date or IRLC expiration date. The loan commitments generally range between 30 and 180 days; however, borrowers are not obligated to close the related loans. As a result, CountryPlace is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. As of April 2, 2016, CountryPlace had outstanding IRLCs with a notional amount of $4.3 million and are recorded at fair value in accordance with FASB ASC 815, Derivatives and Hedging. The estimated fair values of IRLCs are based on quoted market values and are recorded in other assets in the consolidated balance sheets. The fair value of IRLCs is based on the value of the underlying mortgage loan adjusted for: (i) estimated cost to complete and originate the loan and (ii) the estimated percentage or IRLCs that will result in closed mortgage loans. The initial and subsequent changes in the value of IRLCs are a component of current income. Assuming CountryPlace's level of IRLCs is held constant, a 1% increase in average interest rates would decrease the fair value of CountryPlace's obligations by approximately $0.2 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Consolidated Financial Statements, the Reports thereon, the Notes thereto, and the supplementary data commencing on page F-1 of this report, which Consolidated Financial Statements, Reports, Notes and data are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective.

Management’s Report on Internal Controls Over Financial Reporting

The management of Cavco Industries, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that the Company’s receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, the Company’s controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Management assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management’s evaluation under the criteria in Internal Control—Integrated Framework, management concluded that the Company’s internal control over financial reporting was effective as of April 2, 2016.

The scope of management’s assessment of the effectiveness of internal control over financial reporting did not include the internal controls of Chariot Eagle, LLC and Fairmont Homes, LLC, which are included in the 2016 consolidated financial statements of Cavco Industries, Inc. since the acquisition dates of March 30, 2015 and May 1, 2015, respectively, which comprised approximately 5% of total assets and 12% of net revenues for the year ended April 2, 2016.

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The effectiveness of the Company's internal control over financial reporting as of April 2, 2016, has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended April 2, 2016, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Cavco Industries, Inc.

We have audited Cavco Industries, Inc.'s internal control over financial reporting as of April 2, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Cavco Industries, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As described in Management's Report on Internal Controls Over Financial Reporting, management has excluded Chariot Eagle LLC and Fairmont Homes, LLC from its assessment of internal control over financial reporting as of April 2, 2016, because these entities were acquired by the Company in purchase business combinations in the first quarter of the fiscal year ended April 2, 2016. We have also excluded Chariot Eagle, LLC and Fairmont Homes, LLC from our audit of internal control over financial reporting. Chariot Eagle, LLC and Fairmont Homes, LLC are wholly owned subsidiaries whose total assets and revenues represent approximately 5% and 12%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended April 2, 2016.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Cavco Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 2, 2016, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the April 2, 2016 consolidated financial statements of Cavco Industries, Inc. and subsidiaries, and our report dated June 21, 2016 expressed an unqualified opinion thereon.

/s/ RSM US LLP
Los Angeles, California
June 21, 2016

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

For a description of the directors of the Company and other information called for by this Item 10, see "Election of Directors," and "General - Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders, which is incorporated herein by reference. Also see the information relating to executive officers of the Company that follows Item 4 of Part I of this Report, which is incorporated in this Item 10 by reference.

The Company has adopted a Code of Ethics that applies to all directors, officers and employees of the Company. A copy of the Company's Code of Ethics is located on the Company's website at www.cavco.com or will be mailed, at no charge, upon request submitted to James P. Glew, Secretary, Cavco Industries, Inc., 1001 North Central Avenue, Suite 800, Phoenix, Arizona, 85004. If the Company makes any amendment to, or grants any waivers of, a provision of the Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller where such amendment or waiver is required to be disclosed under applicable SEC rules, the Company intends to disclose such amendment or waiver and the reasons therefore on its Internet website at www.cavco.com.

ITEM 11. EXECUTIVE COMPENSATION

For a description of the Company's executive compensation, see "Election of Directors," and "Compensation Discussion and Analysis" (other than the "Compensation Committee Report") in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

For a description of the security ownership of management and certain beneficial owners, see "Stock Ownership" in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of April 2, 2016, with respect to our compensation plans and individual compensation arrangements under which our equity securities were authorized for issuance to directors, officers, employees, consultants and certain other persons and entities in exchange for the provision to us of goods or services.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	491,980	$ 51.91	386,131
Equity compensation plans not approved by stockholders	—	—	—
Total	491,980	$ 51.91	386,131

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

For a description of certain relationships and related transactions of the Company, see "Compensation Discussion and Analysis-Compensation Committee Interlocks and Insider Participation" of the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For a description of principal accounting fees and services, see "Audit Fees" and "Ratification of Appointment of Independent Auditor" in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

Financial Statements are listed in the Index to Consolidated Financial Statements on page F-1 of this report.

All schedules have been omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or Notes thereto.

Exhibits

The documents listed below are being filed or have previously been filed on behalf of the Company and are incorporated herein by reference from the documents indicated and made a part hereof. Exhibits not identified as previously filed are filed herewith.

Exhibit Number	Exhibit	Filed/Furnished Herewith or Incorporated by Reference
3.1	Restated Certificate of Incorporation of Cavco	Exhibit 3.1 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2004
3.2	Certificate of Amendment to Restated Certificate of Incorporation of Cavco	Exhibit 3.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006
3.3	Amended and Restated Bylaws of Cavco	Exhibit 3.2 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2004
10.1*	Stock Incentive Plan of Cavco	Exhibit 10.6 to the Registration Statement on Form 10/A (File No. 000-08822) filed by Cavco on April 23, 2003, as amended by Form 10/A dated May 21, 2003, Form 10/A dated May 30, 2003, Form 10/A dated June 17, 2003, and Form 10/A dated June 20, 2003
10.1.1*	Amendment to the Cavco Industries, Inc. Stock Incentive Plan	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010
10.1.2*	Form of Stock Option Agreement for Stock Incentive Plan	Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2008
10.2*	Cavco 2005 Stock Incentive Plan	Exhibit A to the Corporation's Definitive Proxy Statement for its 2005 Annual Meeting of Stockholders filed by the Company with the Securities and Exchange Commission on May 23, 2005, and incorporated by reference herein (this Exhibit is filed as an Exhibit to the Company's Registration Statement on Form S-8 (No. 333-132925), filed with the Securities and Exchange Commission on April 3, 2006)
10.2.1*	First Amendment to Cavco Industries, Inc. 2005 Stock Incentive Plan	Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010
10.2.2*	Second Amendment to Cavco Industries, Inc. 2005 Stock Incentive Plan	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2015
10.2.3*	Representative Form of Restricted Stock Award Agreement for the applicable Cavco stock incentive plan	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007
10.2.4*	Form of Stock Option Agreement for Stock Incentive Plan	Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2008

10.2.5*	Form of Stock Option Agreement for Stock Incentive Plan	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012
10.3*	Amended and Restated Employment Agreement, dated June 30, 2011, between Joseph H. Stegmayer and Cavco	Exhibit 10.1 to the Periodic Report on Form 8-K filed on July 5, 2011
10.4*	Vice President and Chief Financial Officer Incentive Plan for Fiscal Year 2014	Periodic Report on Form 8-K filed on May 23, 2013
10.4.1*	Vice President and Chief Financial Officer Incentive Plan for Fiscal Year 2015	Periodic Report on Form 8-K filed on May 8, 2014
10.4.2*	Executive Vice President and Chief Financial Officer Incentive Plan for Fiscal Year 2016	Periodic Report on Form 8-K filed on June 9, 2015
10.5*	President of Fleetwood Homes, Inc. Incentive Plan for Fiscal Year 2014	Periodic Report on Form 8-K filed on May 23, 2013

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Exhibit Number	Exhibit	Filed/Furnished Herewith or Incorporated by Reference
10.5.1*	President of Fleetwood Homes, Inc. Incentive Plan for Fiscal Year 2015	Periodic Report on Form 8-K filed on May 8, 2014
10.5.2*	President of Fleetwood Homes, Inc. Incentive Plan for Fiscal Year 2016	Periodic Report on Form 8-K filed on June 9, 2015
10.6*	President of Palm Harbor Homes, Inc. Incentive Plan for Fiscal Year 2014	Periodic Report on Form 8-K filed on May 23, 2013
10.7	Distribution Agreement, dated May 30, 2003, among Centex, Cavco Industries, LLC, and Cavco	Exhibit 10.9 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2004
10.9	Tax Sharing Agreement, dated June 30, 2003, among Centex, Centex's Affiliates, and Cavco	Exhibit 10.10 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2004
10.9	Asset Purchase Agreement dated July 2009 by and among FH Holding, Inc., Fleetwood Enterprises, Inc. and certain of its subsidiaries	Exhibit 10.1 to the Periodic Report on Form 8-K filed on July 23, 2009
10.10	Shareholders' Agreement by and among FH Holding, Inc. (now known as Fleetwood Homes, Inc.) and its Shareholders dated August 17, 2009	Exhibit 10.10 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2012
10.10.1	First Amendment to Shareholders' Agreement dated November 30, 2010	Exhibit 10.10.1 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2012
10.10.2	Second Amendment to Shareholders' Agreement dated June 17, 2011	Exhibit 10.10.2 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2012
10.10.3	Third Amendment to Shareholders' Agreement dated February 16, 2012	Exhibit 10.10.3 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2012
10.10.4	Fourth Amendment to Shareholders' Agreement dated June 5, 2012	Exhibit 10.10.4 to the Annual Report on Form 10-K for the fiscal year ended March 31, 2012
10.11	Debtor-In-Possession Revolving Credit Agreement dated November 29, 2010	Exhibit 10.1 to the Periodic Report on Form 8-K filed on November 29, 2010
10.12	Security Agreement dated November 29, 2010	Exhibit 10.2 to the Periodic Report on Form 8-K filed on November 29, 2010
10.13	Asset Purchase Agreement dated November 29, 2010	Exhibit 10.3 to the Periodic Report on Form 8-K filed on November 29, 2010
10.14	Stock Purchase Agreement, dated June 14, 2013, by and among Third Avenue Trust, a Delaware Trust, the Whitman High Conviction Fund and Cavco Industries, Inc., a Delaware corporation	Exhibit 2.1 to the Periodic Report on Form 8-K filed on June 14, 2013
21	List of Subsidiaries of Cavco	Filed herewith
23.1	Consent of RSM US LLP, Independent Registered Public Accounting Firm	Filed herewith
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	Filed herewith

31.1	Certificate of Joseph H. Stegmayer, Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended	Filed herewith
31.2	Certificate of Daniel L. Urness, Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended	Filed herewith
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith

* Management contract or compensatory plan or arrangement

** These certifications are not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. These certifications are not to be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, unless Cavco specifically incorporates them by reference.

Copies of any of the exhibits referred to above will be furnished at no cost to security holders who make a written request to James P. Glew, Secretary, Cavco Industries, Inc., 1001 North Central Avenue, Suite 800, Phoenix, Arizona, 85004 or via the Company website (www.cavco.com).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAVCO INDUSTRIES, INC.

Date: June 21, 2016 /s/ Joseph H. Stegmayer
Joseph H. Stegmayer – Chairman,
President and Chief Executive Officer
(Principal Executive Officer)

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

Signature	Title	Date
/s/ Joseph H. Stegmayer	Chairman, President and Chief Executive Officer (Principal Executive Officer)	June 21, 2016
/s/ Daniel L. Urness	Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	June 21, 2016
/s/ William C. Boor	Director	June 21, 2016
/s/ Steven G. Bunger	Director	June 21, 2016
/s/ David A. Greenblatt	Director	June 21, 2016
/s/ Jack Hanna	Director	June 21, 2016

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CAVCO INDUSTRIES, INC.
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Consolidated Statements of Comprehensive Income for the Years Ended April 2, 2016, March 28, 2015 and March 29, 2014	F-5
Consolidated Statements of Stockholders' Equity and Redeemable Noncontrolling Interest for the Years Ended April 2, 2016, March 28, 2015 and March 29, 2014	F-6
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Cavco Industries, Inc.

We have audited the accompanying consolidated balance sheets of Cavco Industries, Inc. and subsidiaries (the Company) as of April 2, 2016, and the related consolidated statements of comprehensive income, stockholders' equity and redeemable noncontrolling interest, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cavco Industries, Inc. and subsidiaries at April 2, 2016, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cavco Industries Inc.'s internal control over financial reporting as of April 2, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and our report dated June 21, 2016 expressed an unqualified opinion on the effectiveness of Cavco Industries, Inc.'s internal controls over financial reporting.

/s/ RSM US LLP
Los Angeles, California
June 21, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Cavco Industries, Inc.

We have audited the accompanying consolidated balance sheets of Cavco Industries, Inc. and subsidiaries (the Company) as of March 28, 2015, and the related consolidated statements of comprehensive income, stockholders' equity and redeemable noncontrolling interest, and cash flows for each of the two years in the period ended March 28, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cavco Industries, Inc. and subsidiaries at March 28, 2015 and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 28, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Phoenix, Arizona
June 10, 2015

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CAVCO INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	April 2, 2016	March 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$97,766	$96,597
Restricted cash, current	10,218	9,997
Accounts receivable, net	29,113	26,994
Short-term investments	10,140	7,106
Current portion of consumer loans receivable, net	21,918	24,073
Current portion of commercial loans receivable, net	3,557	2,330
Inventories	94,813	75,334
Prepaid expenses and other current assets	22,196	14,460
Deferred income taxes, current	8,998	8,573
Total current assets	298,719	265,464
Restricted cash	1,082	1,081
Investments	28,948	24,813
Consumer loans receivable, net	67,640	74,085
Commercial loans receivable, net	21,985	15,751
Property, plant and equipment, net	55,072	44,712
Goodwill and other intangibles, net	80,389	76,676
Total assets	$553,835	$502,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$18,513	$17,805
Accrued liabilities	100,314	77,076
Current portion of securitized financings and other	6,262	6,590
Total current liabilities	125,089	101,471
Securitized financings and other	54,909	60,370
Deferred income taxes	20,611	20,587
Stockholders' equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; No shares issued or outstanding	—	—
Common stock, $.01 par value; 40,000,000 and 20,000,000 shares authorized, respectively; Outstanding 8,927,989 and 8,859,199 shares, respectively	89	89
Additional paid-in capital	241,662	237,916
Retained earnings	110,186	81,645
Accumulated other comprehensive income	1,289	504
Total stockholders' equity	353,226	320,154
Total liabilities and stockholders' equity	$553,835	$502,582

See accompanying Notes to Consolidated Financial Statements

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CAVCO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands, except per share amounts)

	Year Ended		
	April 2, 2016	March 28, 2015	March 29, 2014
Net revenue	$712,352	$566,659	$533,339
Cost of sales	567,907	440,523	413,856
Gross profit	144,445	126,136	119,483
Selling, general and administrative expenses	98,103	87,659	87,938
Income from operations	46,342	38,477	31,545
Interest expense	(4,363)	(4,587)	(4,845)
Other income, net	2,049	3,437	1,105
Income before income taxes	44,028	37,327	27,805
Income tax expense	(15,487)	(13,510)	(9,099)
Net income	28,541	23,817	18,706
Less: net income attributable to redeemable noncontrolling interest	—	—	2,468
Net income attributable to Cavco common stockholders	$28,541	$23,817	$16,238
Comprehensive income:			
Net income	$28,541	$23,817	$18,706
Unrealized gain on available-for-sale securities, net of tax	785	68	82
Comprehensive income	29,326	23,885	18,788
Comprehensive income attributable to redeemable noncontrolling interest	—	—	2,392
Comprehensive income attributable to Cavco common stockholders	$29,326	$23,885	$16,396
Net income per share attributable to Cavco common stockholders:			
Basic	$3.21	$2.69	$1.97
Diluted	$3.15	$2.64	$1.94
Weighted average shares outstanding:			
Basic	8,889,731	8,854,359	8,262,688
Diluted	9,046,347	9,015,779	8,379,024

See accompanying Notes to Consolidated Financial Statements

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CAVCO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND REDEEMABLE NONCONTROLLING INTEREST
(Dollars in thousands)

	Stockholders' Equity						
	Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total	Redeemable noncontrolling interest
	Shares	Amount					
Balance, March 31, 2013	6,967,954	$ 70	$ 135,053	$ 41,590	$ 177	$ 176,890	$ 91,994
Net income	—	—	—	16,238	—	16,238	2,468
Unrealized gain on available-for-sale securities	—	—	—	—	158	158	(76)
Stock option exercises and associated tax benefits	9,500	—	408	—	—	408	—
Stock-based compensation	—	—	2,353	—	—	2,353	—
Acquisition of noncontrolling interest	1,867,370	18	94,267	—	101	94,386	(94,386)
Balance, March 29, 2014	8,844,824	88	232,081	57,828	436	290,433	—
Net income	—	—	—	23,817	—	23,817	—
Unrealized gain on available-for-sale securities	—	—	—	—	68	68	—
Stock option exercises and associated tax benefits	14,375	1	4,178	—	—	4,179	—
Stock-based compensation	—	—	1,657	—	—	1,657	—
Balance, March 28, 2015	8,859,199	89	237,916	81,645	504	320,154	—
Net income	—	—	—	28,541	—	28,541	—
Unrealized gain on available-for-sale securities	—	—	—	—	785	785	—
Stock option exercises and associated tax benefits	68,790	—	1,984	—	—	1,984	—
Stock-based compensation	—	—	1,762	—	—	1,762	—
Balance, April 2, 2016	8,927,989	$ 89	$ 241,662	$ 110,186	$ 1,289	$ 353,226	$ —

See accompanying Notes to Consolidated Financial Statements

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CAVCO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended		
	April 2, 2016	March 28, 2015	March 29, 2014
OPERATING ACTIVITIES			
Net income	$28,541	$23,817	$18,706
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,922	3,757	4,000
Provision for credit losses	408	(149)	61
Deferred income taxes	(940)	4,341	563
Stock-based compensation expense	1,762	1,657	2,353
Non-cash interest income, net	(1,681)	(1,098)	(676)
Incremental tax benefits from option exercises	(1,279)	(3,679)	(51)
Impairment of property, plant and equipment and assets held for sale	—	—	560
(Gain) loss on sale of property, plant and equipment and assets held for sale	(15)	(1,558)	70
Gain on investments and sale of loans	(5,836)	(6,263)	(5,544)
Changes in operating assets and liabilities:			
Restricted cash	100	(3,092)	(449)
Accounts receivable	3,332	(6,205)	(2,148)
Consumer loans receivable originated	(99,314)	(107,957)	(94,280)
Principal payments on consumer loans receivable	11,717	14,143	15,319
Proceeds from sales of consumer loans	101,130	100,380	98,049
Inventories	(3,980)	(5,605)	(924)
Prepaid expenses and other current assets	(2,325)	(233)	(2,913)
Commercial loans receivable	(7,515)	3,293	1,866
Accounts payable and accrued liabilities	15,516	10,149	12,195
Net cash provided by operating activities	43,543	25,698	46,757
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(3,519)	(2,210)	(2,265)
Purchase of certain assets and liabilities of Fairmont Homes and Chariot Eagle	(28,121)	—	—
Proceeds from sale of property, plant and equipment and assets held for sale	93	6,035	61
Purchases of investments	(17,114)	(16,707)	(17,121)
Proceeds from sale of investments	10,434	10,783	9,661
Net cash used in investing activities	(38,227)	(2,099)	(9,664)
FINANCING ACTIVITIES			
Proceeds from exercise of stock options	705	500	357
Incremental tax benefits from exercise of stock options	1,279	3,679	51
Proceeds from secured financings and other	1,383	3,573	—
Payments on securitized financings and other	(7,514)	(7,703)	(12,375)
Net cash (used in) provided by financing activities	(4,147)	49	(11,967)
Net increase in cash and cash equivalents	1,169	23,648	25,126
Cash and cash equivalents at beginning of year	96,597	72,949	47,823
Cash and cash equivalents at end of year	$97,766	$96,597	$72,949
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	$15,443	$7,373	$6,803
Cash paid during the year for interest	$3,862	$4,103	$4,709
Supplemental disclosures of non-cash investing and financing activities:			

Issuance of common stock to acquire noncontrolling interest	$—	$—	$ 94,386

See accompanying Notes to Consolidated Financial Statements

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CAVCO INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
1. Summary of Significant Accounting Policies
Principles of Consolidation. These Consolidated Financial Statements include the accounts of Cavco Industries, Inc. and its consolidated subsidiaries (collectively, the "Company" or "Cavco"). All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period classification. The Company has evaluated subsequent events after the balance sheet date of April 2, 2016, through the date of the filing of this report with the Securities and Exchange Commission ("SEC"). Subsequent to period end, there was an increase in homeowner insurance claims in our financial services segment, the result of severe adverse Spring weather activity in Texas. The total impact of these events is not yet known, as the Company is still adjusting the claims and determining recoveries from reinsurance for catastrophic losses.
In fiscal year 2010, the Company and its investment partners, Third Avenue Value Fund and an affiliate (collectively, "Third Avenue"), formed a jointly-owned corporation, Fleetwood Homes, Inc. ("Fleetwood") and purchased certain manufactured housing assets and liabilities of Fleetwood Enterprises, Inc. (the "Fleetwood Acquisition"). Third Avenue Management LLC is an investment adviser to Third Avenue Value Fund and is a related party to the Company, as described further in Note 21 to the Consolidated Financial Statements.
Fleetwood, through its wholly-owned subsidiary, Palm Harbor Homes, Inc., a Delaware corporation ("Palm Harbor"), acquired certain manufactured housing assets and liabilities of Palm Harbor Homes, Inc., a Florida corporation, and certain of its subsidiaries including CountryPlace Acceptance Corp. ("CountryPlace") on April 23, 2011 (the "Palm Harbor Acquisition Date"). Subsequently, the stock of Standard Casualty Co. ("Standard Casualty") was acquired on June 10, 2011 after regulatory approval was received from the Texas Department of Insurance.
Since the Fleetwood Acquisition, financial information for Fleetwood has been included in the Consolidated Financial Statements and the related Notes in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation ("ASC 810"). Management determined that, under U.S. generally accepted accounting principles ("GAAP"), although Fleetwood was previously only 50 percent owned by the Company, Cavco had a controlling interest and was required to fully consolidate the results of Fleetwood. Third Avenue’s financial interest in Fleetwood was considered a "redeemable noncontrolling interest" and was designated as such in the Consolidated Financial Statements (see Note 20).
On July 22, 2013, Cavco purchased all noncontrolling interests in Fleetwood pursuant to a Stock Purchase Agreement, which was filed with the SEC on June 14, 2013 as an exhibit to the Company's Periodic Report on Form 8-K (see Note 21). The transaction was accounted for as an equity transaction and eliminated the need for noncontrolling interest accounting. As a result of the transaction, Cavco owns 100 percent of Fleetwood and its holdings, including Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty.
On March 30, 2015, the Company purchased certain manufactured housing assets and liabilities of Chariot Eagle, LLC, which produces park model RVs and manufactured homes distributed in the southeastern United States. On May 1, 2015, the Company also purchased certain manufactured housing assets and liabilities of Fairmont Homes, a premier builder of manufactured and modular homes and park model RVs serving the Midwest, western Great Plains states, the Northeast and several provinces in Canada. These operations include manufactured housing production facilities in Ocala, Florida; Nappanee, Indiana; and two factories in Montevideo, Minnesota, and provide for further operating capacity, increased home production capabilities and distribution into new markets. Both of these acquisitions were accounted for as business combinations and the results of operations have been included since the date of their respective acquisitions.

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Nature of Operations. Headquartered in Phoenix, Arizona, the Company designs and produces manufactured homes which are sold to a network of independent retailers located throughout the continental United States as well as through Company-owned retail sales locations which offer the Company’s homes to retail customers. Our financial services group is comprised of a mortgage subsidiary, CountryPlace, an approved Federal National Mortgage Association ("FNMA" or "Fannie Mae") and Federal Home Loan Mortgage Corporation ("FHLMC" and "Freddie Mac") seller/servicer, a Government National Mortgage Association ("GNMA" or "Ginnie Mae") mortgage backed securities issuer which offers conforming mortgages and chattel loans to purchasers of factory-built and site-built homes. Also included is our insurance subsidiary, Standard Casualty, which provides property and casualty insurance to owners of manufactured homes.

Fiscal Year. The Company utilizes a 52-53 week fiscal year ending on the Saturday nearest to March 31 of each year. Each fiscal quarter consists of 13 weeks, with an occasional fourth quarter extending to 14 weeks, if necessary, for the fiscal year to end on the Saturday nearest to March 31. The Company’s current fiscal year consisted of 53 weeks and ended on April 2, 2016.

Accounting Estimates. Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from the estimates and assumptions used in preparation of the financial statements.

Fair Value of Financial Instruments. The Company’s financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, investments, consumer loans receivable, commercial loans receivable, accounts payable, certain accrued liabilities and securitized financings. The carrying amount of cash and cash equivalents approximates fair value because their maturity is less than three months. The carrying amounts of restricted cash, accounts receivable, accounts payable and certain accrued liabilities approximate fair value due to the short-term maturity of the amounts. The carrying amount of investments classified as held for sale is at fair value as the investments are marked to market (see Note 3). The carrying amount of the Company’s commercial loans receivable fair value is estimated based on the market value of comparable loans. The fair value of consumer loans receivable and securitized financings are both estimated to be greater than carrying value (see Note 18).

Factory-Built Housing Revenue Recognition. Revenue from homes sold to independent retailers is generally recognized when the home is shipped, at which time title passes to the independent retailer and collectability is reasonably assured. Homes sold to independent retailers are generally either paid for prior to shipment or floor plan financed by the independent retailer through standard industry arrangements, which can include repurchase agreements. Manufacturing sales financed under repurchase agreements are reduced by a provision for estimated repurchase obligations (see Note 15). Revenue from homes sold under commercial loan programs involving funds provided by the Company is either deferred until such time that payment for the related commercial loan receivable is received by the Company or recognized when the home is shipped, depending on the nature of the program and borrower (see Note 6 for discussion of Commercial loans receivable). Retail sales by Company-owned retail locations are generally recognized when the customer has entered into a legally binding sales contract, the home is delivered and permanently located at the customer's site, accepted by the customer, title has transferred and funding is reasonably assured.

Some of the Company’s independent retailers operate multiple sales outlets. No independent retailer accounted for 10% or more of our factory-built housing revenue during any fiscal year within the three-year period ended April 2, 2016.

Financial Services Revenue Recognition. Premium amounts collected on policies issued and assumed by Standard Casualty are amortized on a straight-line basis into net revenue over the life of the policy. Premiums earned are net of reinsurance ceded. Policy acquisition costs are also amortized as cost of sales over the life of the policy.

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At the Palm Harbor Acquisition Date, management evaluated consumer loans receivable held for investment by CountryPlace to determine whether there was evidence of deterioration of credit quality and if it was probable that CountryPlace would be unable to collect all amounts due according to the loans' contractual terms. The Company also considered expected prepayments and estimated the amount and timing of undiscounted expected principal, interest and other cash flows. The Company determined the excess of the loan pool's scheduled contractual principal and contractual interest payments over the undiscounted cash flows expected as of the Palm Harbor Acquisition Date as an amount that is not accreted into interest income (the non-accretable difference). The cash flow expected to be collected in excess of the carrying value of the acquired loans is accreted into interest income over the remaining life of the loans (referred to as accretable yield). Interest income on consumer loans receivable is recognized as net revenue (see Note 5).

For loans originated by CountryPlace and held for sale, loan origination fees and gains or losses on sales are recognized as net revenue upon title transfer of the loans. CountryPlace provides third-party servicing of mortgages and earns servicing fees each month based on the aggregate outstanding balances. Servicing fees are recognized as net revenue when earned.

Cash and Cash Equivalents. Highly liquid investments with insignificant interest rate risk and original maturities of three months or less, when purchased, are classified as cash equivalents. The Company's cash equivalents are comprised of U.S. Treasury money market funds and money market funds.

Restricted Cash. Restricted cash primarily represents cash related to CountryPlace customer payments to be remitted to third parties, cash held in trust for workers' compensation insurance and deposits received from retail customers required to be held in trust accounts. The Company cannot access restricted cash for general operating purposes (see Note 2).

Accounts Receivable. The Company extends competitive credit terms on a customer-by-customer basis in the normal course of business and its accounts receivable are subject to normal industry risk. The Company provides for reserves against accounts receivable for estimated losses that may result from customers' inability to pay. As of April 2, 2016, allowance for doubtful accounts was $75,000, attributable to factory-built housing operations, compared to $56,000 at March 28, 2015.

Investments. Management determines the appropriate classification of its investment securities at the time of purchase. The Company's investments include marketable debt and equity securities, a majority of which are held as available-for-sale, and non-marketable equity investments. All investments classified as available-for-sale are recorded at fair value with any unrealized gains and losses reported in accumulated other comprehensive income, net of income tax if applicable. Realized gains and losses from the sale of securities are determined using the specific identification method (see Note 3).

Management regularly makes an assessment to determine whether a decline in value of an individual security is other-than-temporary. The Company considers the following factors when making its assessment: (i) the Company's ability and intent to hold the investment to maturity, or a period of time sufficient to allow for a recovery in market value; (ii) whether it is probable that the Company will be able to collect the amounts contractually due; and (iii) whether any decision has been made to dispose of the investment prior to the balance sheet date. Investments on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the loss recorded in earnings.

Consumer Loans Receivable. Consumer loans receivable consists of manufactured housing loans originated by CountryPlace (securitized, held for investment, or held for sale) and construction advances on mortgages. The fair value of consumer loans receivable held on the Palm Harbor Acquisition Date was calculated as of that date, as determined by the present value of expected future cash flows, with no allowance for loan loss recorded.

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Loans held for investment consist of loan contracts collateralized by the borrowers' homes and, in some instances, related land. Construction loans in progress are stated at the aggregate amount of cumulative funded advances. Loans held for sale consist of loan contracts collateralized by single-family residential mortgages. Loans held for sale are stated at the lower of cost or market on an aggregate basis. Loans held for sale are loans that, at the time of origination, are originated with the intent to resell in the mortgage market to investors, such as Fannie Mae and Freddie Mac, with which the Company has pre-existing purchase agreements, or to sell as part of a Ginnie Mae insured pool of loans.

Prior to being acquired by the Company, on July 12, 2005 and March 22, 2007, CountryPlace completed two securitizations of factory-built housing loan receivables. These two securitizations were accounted for as financings, which use the portfolio method of accounting in accordance with FASB ASC 310, Receivables – Nonrefundable Fees and Other. The securitizations included provisions for removal of accounts, retention of certain credit loss risk by CountryPlace and other factors that preclude sale accounting of the securitizations under FASB ASC 860, Transfers and Servicing. Both securitizations were accounted for as securitized borrowings; therefore, the related consumer loans receivable and securitized financings were included in CountryPlace's financial statements. Since the Palm Harbor Acquisition Date, the acquired consumer loans receivable and securitized financings are accounted for in a manner similar to FASB ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310-30").

Allowance for Loan Losses. The primary portion of the allowance for loan losses reflects the Company's judgment of the probable loss exposure on our commercial loans receivable as of the end of the reporting period. The allowance for loan loss is developed at a portfolio level. A range of probable losses is calculated and the Company makes a determination of the best estimate within the range of loan losses. The Company has historically been able to resell repossessed homes, thereby mitigating loss experience. If a default occurs and collateral is lost, the Company is exposed to loss of the full value of the home loan. If the Company determines that it is probable that a borrower will default, a specific reserve is determined and recorded within the estimated allowance for loan loss. The Company recorded an allowance for loan loss of $128,000 and $73,000 at April 2, 2016 and March 28, 2015, respectively (see Note 6).

Another portion of the allowance for loan losses relates to consumer loans receivable originated by CountryPlace after the Palm Harbor Acquisition Date. This allowance for loan losses reflects CountryPlace's judgment of the probable loss exposure on its loans originated since the Palm Harbor Acquisition Date in the held for investment portfolio as of the end of the reporting period.

CountryPlace accounts for the loans that were in existence at the Palm Harbor Acquisition Date in a manner similar to ASC 310-30. Management evaluated such loans as of the Palm Harbor Acquisition Date to determine whether there was evidence of deterioration of credit quality and if it was probable that CountryPlace would be unable to collect all amounts due according to the loans' contractual terms.

Over the life of the loans, CountryPlace continues to estimate cash flows expected to be collected. CountryPlace evaluates at the balance sheet date whether the present value of its expected cash flows, determined using the effective interest rate, has decreased and, if so, recognizes an allowance for loan loss subsequent to the Palm Harbor Acquisition Date. The present value of any subsequent increase in the loan pool's actual cash flows expected to be collected is used first to reverse any existing allowance for loan loss. Any remaining increase in cash flows expected to be collected adjusts the amount of accretable yield recognized on a prospective basis over the loan pool's remaining life (see Note 5).

CountryPlace has modified payment amounts and/or interest rates for borrowers that, in management's judgment, exhibited the willingness and ability to continue to pay and met certain other conditions. CountryPlace considers a modified loan a troubled debt restructuring when three conditions are met: (i) the borrower is experiencing financial difficulty, (ii) concessions are made by CountryPlace that it would not otherwise consider for a borrower with similar risk characteristics, and (iii) the loan was originated after the Palm Harbor Acquisition Date. CountryPlace no longer considers modified loans to be troubled debt restructurings once the modified loan is seasoned for six months, is not delinquent under the modified terms and is at a market rate of interest at the modification date.

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Commercial Loans Receivable. The Company’s commercial loans receivable balance consists of amounts loaned by the Company under commercial loan programs for the benefit of our independent retailers and community operators’ home purchasing needs. Under the terms of certain programs, the Company has entered into direct commercial loan arrangements with independent retailers and community operators wherein the Company provides funds to purchase home inventory or homes for placement in communities. In addition, the Company provides a significant amount of the funds that independent financiers lend to distributors to finance retail inventories of homes. Interest income on commercial loans receivable is recognized as Other income in the Consolidated Statements of Comprehensive Income on an accrual basis.

Inventories. Raw material inventories are valued at the lower of cost (first-in, first-out method) or market. Finished goods and work-in-process inventories are valued at the lower of cost or market, using the specific identification method.

Assets Held for Sale. As of April 2, 2016, the Company has no assets classified as held for sale. During the year ended March 28, 2015, the Company sold an inactive manufacturing facility in Albemarle, North Carolina for $900,000 and real estate in Lakeland, Florida for $415,000, that was previously listed as held for sale in the prior year. The net gain on these two sales was $87,000, which is recorded in Other income, net.

Property, Plant and Equipment. Property, plant and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. Estimated useful lives for significant classes of assets are as follows: buildings and improvements, 10 to 39 years; and machinery and equipment, 3 to 25 years. Repairs and maintenance charges are expensed as incurred. During the year ended March 28, 2015, the Company sold an inactive manufacturing facility in Woodland, California for $4.7 million and real estate in Chino Valley, Arizona for $238,000. The gain on these two sales was $1.3 million, which is recorded in Other income, net. The Company also sold miscellaneous property, plant and equipment in the normal course of business.

Asset Impairment. The Company periodically evaluates the carrying value of long-lived assets to be held and used and held for sale for impairment when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are primarily based on independent appraisals and preliminary or definitive contractual arrangements less costs to dispose. The Company recognized no impairment losses in fiscal years 2016 and 2015 and $560,000 in fiscal year 2014.

Goodwill and Other Intangibles. The Company accounts for goodwill and other intangible assets in accordance with the provisions of FASB ASC 350, Intangibles—Goodwill and Other ("ASC 350"). As such, the Company tests goodwill annually for impairment by reporting unit by first making a qualitative assessment, and if necessary, performing the two-step test and recording an impairment charge if the implied fair value of a reporting unit, including goodwill, is less than its carrying value. The Company has identified two reporting units, factory-built housing and financial services. As of April 2, 2016, all of the Company's goodwill is attributable to its factory-built housing reporting unit. Certain intangibles are considered indefinite-lived and others are finite-lived and are amortized over their useful lives. Indefinite-lived intangible assets are assessed annually for impairment first by making a qualitative assessment, and if necessary, performing a quantitative assessment and recording an impairment charge if the fair value of the asset is less than its carrying amount.

The Company performed its annual goodwill impairment analysis as of April 2, 2016. In accordance with Accounting Standards Update ("ASU") No. 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment, the Company first assessed qualitative factors to determine that it was more likely than not that the fair value of a reporting unit is not less than its carrying amount. As a result, performing the two-step impairment test was determined to be unnecessary for fiscal years 2016 or 2015.

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Warranties. The Company provides retail home buyers, builders or developers with a one-year warranty for manufacturing defects from the date of sale to the retail customer. Nonstructural components of a cosmetic nature are warranted for 120 days, except in specific cases where state laws require longer warranty terms. Estimated warranty costs are accrued as cost of sales at the time of sale. The warranty provision and reserves are based on estimates of the amounts necessary to settle existing and future claims on homes sold as of the balance sheet date. Factors used to calculate the warranty obligation are the estimated amount of homes still under warranty including homes in retailer inventories, homes purchased by consumers still within the one-year warranty period, the timing in which work orders are completed and the historical average costs incurred to service a home.

Retailer Volume Rebates. The Company's manufacturing operations sponsor volume rebate programs under which certain sales to retailers, builders and developers can qualify for cash rebates generally based on the level of sales attained during a twelve-month period. Volume rebates are accrued at the time of sale and are recorded as a reduction of net revenue.

Reserve for Repurchase Commitment. The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for retailers of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The risk of loss under these agreements is spread over numerous retailers. The price the Company is obligated to pay generally declines over the period of the agreement (generally 18 to 36 months) and is further reduced by the resale value of repurchased homes. The Company applies FASB ASC 460, Guarantees ("ASC 460") and FASB ASC 450-20, Loss Contingencies ("ASC 450-20"), to account for its liability for repurchase commitments. Under the provisions of ASC 460, during the period in which a home is sold (inception of a repurchase commitment), the Company records the greater of the estimated fair value of the non-contingent obligation or a contingent liability for each repurchase arrangement under the provisions of ASC 450-20, based on historical information available, as a reduction to revenue. Additionally, subsequent to the inception of the repurchase commitment, the Company evaluates the likelihood that it will be called on to perform under the inventory repurchase commitments. If it becomes probable that a retailer will default and an ASC 450-20 loss reserve should be recorded, then such contingent liability is recorded equal to the estimated loss on repurchase. Following the inception of the commitment, the recorded reserve is reduced over the repurchase period in conjunction with applicable curtailment arrangements and is eliminated once the retailer sells the home. Changes in the reserve are recorded as an adjustment to revenue.

Reserve for Property-Liability Insurance Claims and Claims Expense. Standard Casualty establishes reserves for claims and claims expense ("loss") on reported and unreported claims of insured losses. Standard Casualty's reserving process takes into account known facts and interpretations of circumstances and factors, including Standard's experience with similar cases, actual claims paid, historical trends involving claim payment patterns and pending levels of unpaid claims, loss management programs, product mix, contractual terms, changes in law and regulation, judicial decisions and economic conditions. In the normal course of business, Standard Casualty may also supplement its claims processes by utilizing third party adjusters, appraisers, engineers, inspectors and other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims. The effects of inflation are implicitly considered in the reserving process. The applicable reserve balance was $6.0 million as of April 2, 2016, of which $663,000 related to incurred but not reported ("IBNR") losses.

Insurance. The Company is self-insured for a significant portion of its general and products liability, auto liability, health, property and workers' compensation liability coverage. Insurance is maintained for catastrophic exposures and those risks required to be insured by law. Estimated self-insurance costs are accrued for incurred claims and estimated IBNR claims. For product liability and workers' compensation liability in particular, the Company has purchased stop-loss insurance, which will reimburse the Company for claims exceeding $250,000 per occurrence. A reserve for products liability is actuarially determined and reflected in accrued liabilities in the accompanying Consolidated Balance Sheets. The determination of claims and expenses and the appropriateness of the related liabilities are regularly reviewed and updated.

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Redeemable Noncontrolling Interest. Historically, the Company's subsidiary, Fleetwood Homes, Inc. ("Fleetwood"), was jointly owned by the Company and its investment partners, Third Avenue Value Fund and an affiliate (collectively, "Third Avenue"). Third Avenue's financial interest in Fleetwood was reported as a "redeemable noncontrolling interest" in the Consolidated Financial Statements (see Note 20).

On July 22, 2013, Cavco purchased from Third Avenue all noncontrolling interests in Fleetwood, which owns Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty (the "Fleetwood Businesses"). The Company satisfied the purchase price with 1,867,370 shares of Company common stock issued to Third Avenue. The acquisition closed on July 22, 2013, resulting in Cavco owning 100 percent of the Fleetwood Businesses and entitling Cavco to all of the associated earnings from that date forward.

As of April 2, 2016, Third Avenue and its related funds owned approximately 8.2% of our outstanding common shares. Third Avenue and Third Avenue Management LLC are either directly or indirectly under common control. Third Avenue is considered a principal owner, and therefore a related party, under ASC 850, Related Party Disclosures ("ASC 850") (see Note 21).

Advertising. Advertising costs are expensed as incurred and were $0.7 million in fiscal year 2016 and $1.5 million in each of the fiscal years 2015 and 2014.

Freight. Substantially all freight costs are recovered from the Company’s retailers. Freight charges of $22.3 million were recognized in net revenue and cost of sales in fiscal year 2016 and $17.6 million was recognized for each of fiscal years and 2015 and 2014.

Income Taxes. The Company accounts for income taxes pursuant to FASB ASC 740, Income Taxes ("ASC 740"), and provides for income taxes utilizing the asset and liability approach. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes generally represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company’s assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. The calculation of tax liabilities involves considering uncertainties in the application of complex tax regulations. The Company recognizes liabilities for anticipated tax audit issues based on the Company’s estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the liabilities are no longer determined to be necessary. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result. The Company uses a two-step approach to evaluate uncertain tax positions. This approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine the amounts to be recognized in the Consolidated Financial Statements.

Other Income, net. Other income, net totaled $2.0 million, $3.4 million and $1.1 million for fiscal years 2016, 2015 and 2014, respectively. Other income primarily consists interest related to commercial loan receivable balances and interest income earned on cash balances and gains and losses or impairment on property, plant and equipment, including assets held for sale or sold.

Accumulated Other Comprehensive Income. Accumulated other comprehensive income is comprised of unrealized gains and losses on available-for-sale investments (see Note 3). Unrealized gains and losses are presented net of tax. Unrealized gain on available-for-sale investments during fiscal year 2016 was $1.3 million before tax, with an associated tax amount of $539,000, resulting in a net unrealized gain of $785,000. Unrealized gain on available-for-sale investments during fiscal year 2015 was $106,000, offset by tax effect of $38,000, for a net unrealized gain of $68,000. Unrealized gain on available-for-sale investments during fiscal year 2014 was $126,000 before tax, with an associated tax amount of $44,000, resulting in a net unrealized gain of $82,000.

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Net Income Per Share Attributable to Cavco Common Stockholders. Basic earnings per common share attributable to Cavco common stockholders is computed based on the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share attributable to Cavco common stockholders is computed based on the combination of dilutive common share equivalents, comprised of shares issuable under the Company’s stock-based compensation plans and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money options to purchase shares, which is calculated based on the average share price for each period using the treasury stock method (see Note 17).

Recent Accounting Pronouncements. In September 2013, the United States Treasury and the Internal Revenue Service issued final regulations regarding the deduction and capitalization of expenditures related to tangible property. The final regulations under Internal Revenue Code Sections 162, 167 and 263(a) apply to amounts paid to acquire, produce, or improve tangible property as well as dispositions of such property and are generally effective for tax years beginning on or after January 1, 2014. These regulations have not had a material impact on our consolidated results of operations, cash flows or financial position.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a company’s contracts with customers. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of the new revenue standard. Accordingly, the updated standard is effective for us beginning with the first quarter of the Company's fiscal year 2019, with early application permitted in fiscal year 2018. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently evaluating the effect ASU 2014-09 will have on the Company’s Consolidated Financial Statements and disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 will be effective beginning with the Company's fiscal year 2019 annual report and interim periods thereafter, with early adoption permitted. In this update, entities are required to present all deferred tax liabilities and assets as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The standard can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. As this standard impacts presentation only, the adoption of ASU 2015-17 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 will be effective beginning with the first quarter of the Company's fiscal year 2019. The amendments require certain equity investments to be measured at fair value with changes in the fair value recognized through net income. The Company is currently evaluating the effect ASU 2016-01 will have on the Company's Consolidated Financial Statements and disclosures.

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In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 will be effective beginning with the first quarter of the Company's fiscal year 2020, with early adoption permitted. The amendments require the recognition of lease assets and lease liabilities on the balance sheet for most leases, but recognize expenses in the income statement in a manner similar to current accounting treatment. In addition, disclosures of key information about leasing arrangements are required. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the effect ASU 2016-02 will have on the Company's Consolidated Financial Statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation- Stock Compensation (Topic 718) ("ASU 2016-09"). ASU 2016-09 will be effective beginning with the first quarter of the Company's fiscal year 2018, with early adoption permitted. The amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is currently evaluating the effect ASU 2016-09 will have on the Company's Consolidated Financial Statements and disclosures.

From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted by the Company as of the specified effective dates. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's Consolidated Financial Statements upon adoption.

2. Restricted Cash

Restricted cash consists of the following (in thousands):

	April 2, 2016	March 28, 2015
Cash related to CountryPlace customer payments to be remitted to third parties	$8,419	$ 8,471
Cash related to CountryPlace customers payments on securitized loans to be remitted to bondholders	1,747	1,425
Cash related to workers' compensation insurance held in trust	728	727
Other restricted cash	406	455
	$11,300	$ 11,078

Corresponding amounts are recorded in accounts payable and accrued liabilities for customer payments, deposits and other restricted cash.

3. Investments

Investments consist of the following (in thousands):

	April 2, 2016	March 28, 2015
Available-for-sale investment securities	$24,247	$ 21,283
Non-marketable equity investments	14,841	10,636
	$39,088	$ 31,919

Non-marketable equity investments includes $15.0 million and $10.0 million, as of April 2, 2016 and March 28, 2015, respectively, of contributions to equity-method investments in community-based initiatives that buy and sell our homes and provide home-only financing to residents of certain manufactured home communities.

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The following tables summarize the Company's available-for-sale investment securities, gross unrealized gains and losses and fair value, aggregated by investment category (in thousands):

	April 2, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government debt securities	$1,002	$ —	$ (3)	$999
Residential mortgage-backed securities	5,866	13	(60)	5,819
State and political subdivision debt securities	7,231	239	(49)	7,421
Corporate debt securities	1,166	4	(6)	1,164
Marketable equity securities	5,882	2,374	(412)	7,844
Certificates of deposit	1,000	—	—	1,000
	$22,147	$ 2,630	$ (530)	$24,247

	March 28, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government debt securities	$1,952	$ 1	$ (5)	$1,948
Residential mortgage-backed securities	4,342	23	(27)	4,338
State and political subdivision debt securities	7,190	245	(12)	7,423
Corporate debt securities	1,060	2	(4)	1,058
Marketable equity securities	4,962	642	(88)	5,516
Certificates of deposit	1,000	—	—	1,000
	$20,506	$ 913	$ (136)	$21,283

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The following tables show the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	April 2, 2016					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and government debt securities	$—	$ —	$ 699	$ (3)	$699	$ (3)
Residential mortgage-backed securities	3,436	(27)	898	(33)	4,334	(60)
State and political subdivision debt securities	1,865	(29)	1,257	(20)	3,122	(49)
Corporate debt securities	763	(6)	—	—	763	(6)
Marketable equity securities	1,780	(324)	152	(88)	1,932	(412)
	$7,844	$ (386)	$ 3,006	$ (144)	$10,850	$ (530)

	March 28, 2015					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and government debt securities	$499	$ —	$ 698	$ (5)	$1,197	$ (5)
Residential mortgage-backed securities	438	(2)	330	(25)	768	(27)
State and political subdivision debt securities	1,099	(6)	256	(6)	1,355	(12)
Corporate debt securities	247	(4)	—	—	247	(4)
Marketable equity securities	1,067	(85)	100	(3)	1,167	(88)
	$3,350	$ (97)	$ 1,384	$ (39)	$4,734	$ (136)

Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider any investments to be other-than-temporarily impaired at April 2, 2016.

As of April 2, 2016, the Company's investments in marketable equity securities consist of investments in common stock of industrial and other companies ($7.7 million of the total fair value and $409,000 of the total unrealized losses) and bank trust, insurance, and public utility companies ($100,000 of the total fair value and $3,000 of the total unrealized losses).

As of March 28, 2015, the Company's investments in marketable equity securities consisted of investments in common stock of industrial and other companies ($5.4 million of the total fair value and $85,000 of the total unrealized losses) and bank trust, insurance, and public utility companies ($100,000 of the total fair value and $3,000 of the total unrealized losses).

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The amortized cost and fair value of the Company's investments in debt securities, by contractual maturity, are shown in the table below (in thousands). Expected maturities differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	April 2, 2016	
	Amortized Cost	Fair Value
Due in less than one year	$1,306	$1,296
Due after one year through five years	2,809	2,825
Due after five years through ten years	3,724	3,680
Due after ten years	7,426	7,602
	$15,265	$15,403

Realized gains and losses from the sale of securities are determined using the specific identification method. Gross gains realized on the sales of investment securities for fiscal years 2016 and 2015 were approximately $431,000 and $871,000, respectively. Gross losses realized were approximately $385,000 and $254,000 for fiscal years 2016 and 2015, respectively.

4. Inventories

Inventories consist of the following (in thousands):

	April 2, 2016	March 28, 2015
Raw materials	$28,764	$ 24,373
Work in process	10,755	7,271
Finished goods and other	55,294	43,690
	$94,813	$ 75,334

5. Consumer Loans Receivable

The Company acquired consumer loans receivable during the first quarter of fiscal year 2012 as part of the Palm Harbor transaction. Acquired consumer loans receivable held for investment were acquired at fair value and subsequently are accounted for in accordance with ASC 310-30. Consumer loans receivable held for sale are carried at the lower of cost or market and construction advances are carried at the amount advanced less a valuation allowance. The following table summarizes consumer loans receivable (in thousands):

	April 2, 2016	March 28, 2015
Loans held for investment (acquired on Palm Harbor Acquisition Date)	$68,951	$ 77,670
Loans held for investment (originated after Palm Harbor Acquisition Date)	6,120	5,005
Loans held for sale	8,765	11,903
Construction advances	6,566	4,076
Consumer loans receivable	90,402	98,654
Deferred financing fees and other, net	(844)	(496)
Consumer loans receivable, net	$89,558	$ 98,158

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As of the date of the Palm Harbor acquisition, management evaluated consumer loans receivable held for investment by CountryPlace to determine whether there was evidence of deterioration of credit quality and if it was probable that CountryPlace would be unable to collect all amounts due according to the loans' contractual terms. The Company also considered expected prepayments and estimated the amount and timing of undiscounted expected principal, interest and other cash flows. The Company determined the excess of the loan pool's scheduled contractual principal and contractual interest payments over all cash flows expected as of the date of the Palm Harbor transaction as an amount that cannot be accreted into interest income (the non-accretable difference). The cash flow expected to be collected in excess of the carrying value of the acquired loans is accreted into interest income over the remaining life of the loans (referred to as accretable yield). Interest income on consumer loans receivable is recognized as net revenue.

	April 2, 2016	March 28, 2015
	(in thousands)	
Consumer loans receivable held for investment – contractual amount	$166,793	$192,523
Purchase discount:		
Accretable	(69,053)	(73,202)
Non-accretable difference	(28,536)	(41,305)
Less consumer loans receivable reclassified as other assets	(253)	(346)
Total acquired consumer loans receivable held for investment, net	$68,951	$77,670

Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected by CountryPlace. As of the balance sheet date, the Company evaluates whether the present value of expected cash flows, determined using the effective interest rate, has decreased from the value at acquisition and, if so, recognizes an allowance for loan loss. The present value of any subsequent increase in the loan pool's actual cash flows expected to be collected is used first to reverse any existing allowance for loan loss. Any remaining increase in cash flows expected to be collected adjusts the amount of accretable yield recognized on a prospective basis over the loan pool's remaining life. The weighted averages of assumptions used in the calculation of expected cash flows to be collected are as follows:

	April 2, 2016	March 28, 2015
Prepayment rate	13.0 %	12.6 %
Default rate	1.0 %	1.7 %

Assuming there was a 1% unfavorable variation from the expected level, for each key assumption, the expected cash flows, as of April 2, 2016, would decrease by approximately $2.4 million and $6.0 million for the expected prepayment rate and expected default rate, respectively.

The changes in accretable yield on acquired consumer loans receivable held for investment were as follows (in thousands):

	Year Ended	
	April 2, 2016	March 28, 2015
Balance at the beginning of the period	$73,202	$77,737
Additions	—	—
Accretion	(10,720)	(11,230)
Reclassifications from (to) nonaccretable discount	6,571	6,695
Balance at the end of the period	$69,053	$73,202

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The consumer loans held for investment have the following characteristics:

	April 2, 2016	March 28, 2015
Weighted average contractual interest rate	9.05 %	9.10 %
Weighted average effective interest rate	9.39 %	9.27 %
Weighted average months to maturity	170	178

The Company's consumer loans receivable balance consists of fixed-rate, fixed-term and fully-amortizing single-family home loans. These loans are either secured by a manufactured home, excluding the land upon which the home is located (chattel property loans and retail installment sale contracts), or by a combination of the home and the land upon which the home is located (real property mortgage loans). The real property mortgage loans are primarily for manufactured homes. Combined land and home loans are further disaggregated by the type of loan documentation: those conforming to the requirements of Government-Sponsored Enterprises ("GSEs"), and those that are non-conforming. In most instances, CountryPlace's loans are secured by a first-lien position and are provided for the consumer purchase of a home. In rare instances, CountryPlace may provide other types of loans in second-lien or unsecured positions. Accordingly, CountryPlace classifies its loans receivable as follows: chattel loans, conforming mortgages, non-conforming mortgages and other loans.

In measuring credit quality within each segment and class, CountryPlace uses commercially available credit scores (such as FICO®). At the time of each loan's origination, CountryPlace obtains credit scores from each of the three primary credit bureaus, if available. To evaluate credit quality of individual loans, CountryPlace uses the mid-point of the available credit scores or, if only two scores are available, the Company uses the lower of the two. CountryPlace does not update credit bureau scores after the time of origination.

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The following table disaggregates CountryPlace's gross consumer loans receivable for each class by portfolio segment and credit quality indicator as of the time of origination (in thousands):

	April 2, 2016					
	Consumer Loans Held for Investment					
	Securitized 2005	Securitized 2007	Unsecuritized	Construction Advances	Consumer Loans Held For Sale	Total
Asset Class						
Credit Quality Indicator (FICO® score)						
Chattel loans						
0-619	$776	$ 543	$ 336	$ —	$ —	$1,655
620-719	13,139	9,100	3,683	—	96	26,018
720+	14,751	9,409	2,324	—	215	26,699
Other	55	—	447	—	—	502
Subtotal	28,721	19,052	6,790	—	311	54,874
Conforming mortgages						
0-619	—	—	164	95	171	430
620-719	—	—	1,428	3,355	5,847	10,630
720+	—	—	320	3,116	2,436	5,872
Subtotal	—	—	1,912	6,566	8,454	16,932
Non-conforming mortgages						
0-619	88	585	1,392	—	—	2,065
620-719	1,365	5,290	3,664	—	—	10,319
720+	1,684	3,382	826	—	—	5,892
Other	—	—	307	—	—	307
Subtotal	3,137	9,257	6,189	—	—	18,583
Other loans						
Subtotal	—	—	13	—	—	13
	$31,858	$ 28,309	$ 14,904	$ 6,566	$ 8,765	$90,402

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	March 28, 2015 Consumer Loans Held for Investment					
	Securitized 2005	Securitized 2007	Unsecuritized	Construction Advances	Consumer Loans Held For Sale	Total
Asset Class						
Credit Quality Indicator (FICO® score)						
Chattel loans						
0-619	$937	$ 594	$ 385	$ —	$ 58	$1,974
620-719	14,907	10,266	3,202	—	—	28,375
720+	16,889	10,845	2,252	—	—	29,986
Other	65	—	349	—	—	414
Subtotal	32,798	21,705	6,188	—	58	60,749
Conforming mortgages						
0-619	—	—	167	18	345	530
620-719	—	—	1,505	2,909	6,412	10,826
720+	—	—	10	1,149	2,501	3,660
Other	—	—	—	—	2,587	2,587
Subtotal	—	—	1,682	4,076	11,845	17,603
Non-conforming mortgages						
0-619	91	674	1,571	—	—	2,336
620-719	1,467	5,736	3,952	—	—	11,155
720+	1,793	3,717	965	—	—	6,475
Other	—	—	321	—	—	321
Subtotal	3,351	10,127	6,809	—	—	20,287
Other loans						
Subtotal	—	—	15	—	—	15
	$36,149	$ 31,832	$ 14,694	$ 4,076	$ 11,903	$98,654

Loan contracts secured by collateral that is geographically concentrated could experience higher rates of delinquencies, default and foreclosure losses than loan contracts secured by collateral that is more geographically dispersed. Thirty-nine percent of the outstanding principal balance of consumer loans receivable portfolio is concentrated in Texas, and 10% is concentrated in Florida. No other state had concentrations in excess of 10% of the principal balance of the consumer loan receivable as of April 2, 2016.

Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell. At repossession, the fair value of the collateral is computed based on the historical recovery rates of previously charged-off loans; the loan is charged off and the loss is charged to the allowance for loan losses. On a monthly basis, the fair value of the collateral is adjusted to the lower of the amount recorded at repossession or the estimated sales price less estimated costs to sell, based on current information. Repossessed homes totaled approximately $707,000 and $582,000 as of April 2, 2016 and March 28, 2015, respectively, and are included in prepaid and other assets in the consolidated balance sheet. Foreclosure or similar proceedings in progress totaled approximately $340,000 and $650,000 as of April 2, 2016 and March 28, 2015, respectively.

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6. Commercial Loans Receivable and Allowance for Loan Loss

The Company's commercial loans receivable balance consists of two classes: (i) direct financing arrangements for the home product needs of our independent retailers, communities and developers; and (ii) amounts loaned by the Company under participation financing programs.

Under the terms of the direct programs, the Company provides funds for the independent retailers, communities and developers' financed home purchases. The notes are secured by the home as collateral and, in some instances, other security depending on the circumstances. The other terms of direct arrangements vary depending on the needs of the borrower and the opportunity for the Company.

Under the terms of the participation programs, the Company provides loans to independent floor plan lenders, representing a significant portion of the funds that such financiers then lend to retailers to finance their inventory purchases. The participation commercial loan receivables are unsecured general obligations of the independent floor plan lenders.

Commercial loans receivable, net, consist of the following by class of financing notes receivable (in thousands):

	April 2, 2016	March 28, 2015
Direct loans receivable	$24,392	$15,802
Participation loans receivable	1,278	2,352
Allowance for loan loss	(128)	(73)
	$25,542	$18,081

The commercial loans receivable balance has the following characteristics:

	April 2, 2016	March 28, 2015
Weighted average contractual interest rate	6.9 %	6.5 %
Weighted average months to maturity	9	6

The Company evaluates the potential for loss from its participation loan programs based on the independent lender's overall financial stability, as well as historical experience, and has determined that an applicable allowance for loan loss was not needed at either April 2, 2016 or March 28, 2015.

With respect to direct programs with communities and developers, borrower activity is monitored on a regular basis and contractual arrangements are in place to provide adequate loss mitigation in the event of a default. For direct programs with independent retailers, the risk of loss is spread over numerous borrowers. Borrower activity is monitored in conjunction with third-party service providers, where applicable, to estimate the potential for loss on the related loans receivable, considering potential exposures including repossession costs, remarketing expenses, impairment of value and the risk of collateral loss. The Company has historically been able to resell repossessed unused homes, thereby mitigating loss experience. If a default occurs and collateral is lost, the Company is exposed to loss of the full value of the home loan. If the Company determines that it is probable that a borrower will default, a specific reserve is determined and recorded within the estimated allowance for loan loss. The Company recorded an allowance for loan loss of $128,000 and $73,000 at April 2, 2016 and March 28, 2015, respectively.

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The following table represents changes in the estimated allowance for loan losses, including related additions and deductions to the allowance for loan loss applicable to the direct programs (in thousands):

	Year Ended	
	April 2, 2016	March 28, 2015
Balance at beginning of period	$73	$ 139
Provision for commercial loan credit losses	55	(83)
Loans charged off, net of recoveries	—	17
Balance at end of period	$128	$ 73

The following table disaggregates commercial loans receivable and the estimated allowance for loan loss for each class of financing receivable by evaluation methodology (in thousands):

	Direct Commercial Loans		Participation Commercial Loans	
	April 2, 2016	March 28, 2015	April 2, 2016	March 28, 2015
Commercial loans receivable:				
Collectively evaluated for impairment	$12,761	$7,229	$ —	$ —
Individually evaluated for impairment	11,631	8,573	1,278	2,352
	$24,392	$15,802	$ 1,278	$ 2,352
Allowance for loan loss:				
Collectively evaluated for impairment	$(128)	$(73)	$ —	$ —
Individually evaluated for impairment	—	—	—	—
	$(128)	$(73)	$ —	$ —

Loans are subject to regular review and are given management's attention whenever a problem situation appears to be developing. Loans with indicators of potential performance problems are placed on watch list status and are subject to additional monitoring and scrutiny. Nonperforming status includes loans accounted for on a non-accrual basis and accruing loans with principal payments past due 90 days or more. The Company's policy is to place loans on nonaccrual status when interest is past due and remains unpaid 90 days or more or when there is a clear indication that the borrower has the inability or unwillingness to meet payments as they become due. The Company will resume accrual of interest once these factors have been remedied. At April 2, 2016, there are no commercial loans that are 90 days or more past due that are still accruing interest. Payments received on nonaccrual loans are recorded on a cash basis, first to interest and then to principal. At April 2, 2016, the Company was not aware of any potential problem loans that would have a material effect on the commercial receivables balance. Charge-offs occur when it becomes probable that outstanding amounts will not be recovered.

The following table disaggregates the Company's commercial loans receivable by class and credit quality indicator (in thousands):

	Direct Commercial Loans		Participation Commercial Loans	
	April 2, 2016	March 28, 2015	April 2, 2016	March 28, 2015
Risk profile based on payment activity:				
Performing	$24,392	$ 15,728	$ 1,278	$ 2,352
Watch list	—	—	—	—
Nonperforming	—	74	—	—
	$24,392	$ 15,802	$ 1,278	$ 2,352

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The Company has concentrations of commercial loans receivable related to factory-built homes located in the following states, measured as a percentage of commercial loans receivables principal balance outstanding:

	April 2, 2016	March 28, 2015
Texas	33.2 %	42.4 %
Arizona	13.3 %	10.4 %

The risks created by these concentrations have been considered in the determination of the adequacy of the allowance for loan losses. The Company did not have concentrations in excess of 10% of the principal balance of commercial loans receivable in any other states as of April 2, 2016 or March 28, 2015, respectively.

The Company had concentrations of commercial loans receivable with one independent third-party and its affiliates that equaled 32% and 36% of the principal balance outstanding, all of which was secured, as of April 2, 2016 and March 28, 2015, respectively.

7. Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of each asset. Estimated useful lives for significant classes of assets are as follows: (i) buildings and improvements, 10 to 39 years and (ii) machinery and equipment, 3 to 25 years. Repairs and maintenance charges are expensed as incurred. Property, plant and equipment consist of the following (in thousands):

	April 2, 2016	March 28, 2015
Property, plant and equipment, at cost:		
Land	$22,719	$21,197
Buildings and improvements	32,230	24,288
Machinery and equipment	19,533	16,772
	74,482	62,257
Accumulated depreciation	(19,410)	(17,545)
Property, plant and equipment, net	$55,072	$44,712

Included in the amounts above are certain assets under a capital lease. See Note 8 for additional information.

8. Capital Leases

On May 1, 2015, in connection with the purchase of Fairmont Homes, the Company entered into a five-year lease covering the manufacturing facilities and land in Montevideo, Minnesota, which is accounted for as a capital lease. At the end of the lease term, the landlord has the option to require the Company to purchase the leased premises at a specified price. If the landlord does not exercise this option, the Company may purchase the facilities at the termination of the lease for that price. The following amounts were recorded for the leased assets as of April 2, 2016 (in thousands):

	April 2, 2016
Land	$240
Buildings and improvements	2,960
	3,200
Accumulated amortization	(90)
Leased assets, net	$3,110

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The minimum payments in future fiscal years under the lease as of April 2, 2016 are as follows (in thousands):

2017	289
2018	277
2019	265
2020	253
2021	1,721
Total remaining lease payments	2,805
Less: Amount representing interest	(418)
Present value of future minimum lease payments	$2,387

9. Goodwill and Other Intangibles

Intangible assets principally consist of goodwill, trademarks and trade names, state insurance licenses, customer relationships, and other, which includes technology, insurance policies and renewal rights and other. Goodwill, trademarks and trade names and state insurance licenses are indefinite-lived intangible assets and are evaluated for impairment annually and whenever events or circumstances indicate that more likely than not impairment has occurred. During fiscal years 2016, 2015 and 2014, no impairments were recorded. Finite-lived intangibles are amortized over their estimated useful lives on a straight-line basis and are reviewed for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. The value of customer relationships is amortized over 4 to 15 years and other intangibles over 7 to 15 years.

Goodwill and other intangibles consist of the following (in thousands):

	April 2, 2016			March 28, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite lived:						
Goodwill	$69,753	$ —	$69,753	$67,346	$ —	$67,346
Trademarks and trade names	7,000	—	7,000	6,250	—	6,250
State insurance licenses	1,100	—	1,100	1,100	—	1,100
Total indefinite-lived intangible assets	77,853	—	77,853	74,696	—	74,696
Finite lived:						
Customer relationships	7,100	(5,329)	1,771	6,200	(5,027)	1,173
Other	1,384	(619)	765	1,274	(467)	807
Total goodwill and other intangible assets	$86,337	$ (5,948)	$80,389	$82,170	$ (5,494)	$76,676

Amortization expense recognized on intangible assets was $454,000 during fiscal year 2016 and $1.4 million during each of fiscal years 2015 and 2014.

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Expected amortization for future fiscal years is as follows (in thousands):

2017	$368
2018	368
2019	324
2020	320
2021	318

10. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	April 2, 2016	March 28, 2015
Salaries, wages and benefits	$20,675	$16,186
Unearned insurance premiums	15,528	13,556
Customer deposits	14,039	13,435
Estimated warranties	13,371	9,953
Insurance loss reserves	5,990	1,774
Accrued volume rebates	4,647	3,266
Accrued insurance	3,969	3,068
Company repurchase options on certain loans sold	3,497	2,063
Deferred margin	2,823	2,398
Capital Lease Obligation	2,387	—
Reserve for repurchase commitments	1,660	2,240
Accrued Taxes	1,282	1,089
Other	10,446	8,048
	$100,314	$77,076

11. Warranties

Homes are generally warranted against manufacturing defects for a period of one year commencing at the time of sale to the retail customer. Estimated costs relating to home warranties are provided at the date of sale. The Company has recorded a liability for estimated future warranty costs relating to homes sold based upon management's assessment of historical experience factors, an estimate of the amount of homes in the distribution channel and current industry trends. Activity in the liability for estimated warranties was as follows (in thousands):

	April 2, 2016	March 28, 2015	March 29, 2014
Balance at beginning of period	$9,953	$ 9,262	$ 8,202
Purchase accounting additions	1,111	—	—
Charged to costs and expenses	21,133	13,083	11,681
Payments and deductions	(18,826)	(12,392)	(10,621)
Balance at end of period	$13,371	$ 9,953	$ 9,262

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12. Debt Obligations

Debt obligations consist of amounts related to loans sold that did not qualify for loan sale accounting treatment. The following table summarizes debt obligations (in thousands):

	April 2, 2016		March 28, 2015	
Acquired securitized financings (acquired as part of the Palm Harbor transaction)				
Securitized financing 2005-1	$	27,481	$	29,469
Securitized financing 2007-1	28,859		33,461	
Other secured financings	4,831		4,030	
Total securitized financings and other, net	$	61,171	$	66,960

The Company acquired CountryPlace's securitized financings during the first quarter of fiscal year 2012 as a part of the Palm Harbor acquisition. Acquired securitized financings were recorded at fair value at the time of acquisition, which resulted in a discount, and subsequently are accounted for in a manner similar to ASC 310-30 to accrete the discount.

The Company considers expected prepayments and estimates the amount and timing of undiscounted expected principal, interest and other cash flows for securitized consumer loans receivable held for investment to determine the expected cash flows on securitized financings and the contractual payments. The amount of contractual principal and contractual interest payments due on the securitized financings in excess of all cash flows expected as of the date of the Palm Harbor acquisition cannot be accreted into interest expense (the non-accretable difference). The remaining amount is accreted into interest expense over the remaining life of the obligation (referred to as accretable yield). The following table summarizes acquired securitized financings (in thousands):

	April 2, 2016	March 28, 2015
Securitized financings – contractual amount	$ 68,673	$ 75,058
Purchase Discount		
Accretable	(12,333)	(12,128)
Non-accretable (1)	—	—
Total acquired securitized financings, net	$ 56,340	$ 62,930

(1) There is no non-accretable difference, as the contractual payments on acquired securitized financing are determined by the cash collections from the underlying loans.

Over the life of the loans, the Company continues to estimate cash flows expected to be paid on securitized financings. The Company evaluates at the balance sheet date whether the present value of its securitized financings, determined using the effective interest rate, has increased or decreased. The present value of any subsequent change in cash flows expected to be paid adjusts the amount of accretable yield recognized on a prospective basis over the securitized financing's remaining life.

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The changes in accretable yield on securitized financings were as follows (in thousands):

	Year Ended	
	April 2, 2016	March 28, 2015
Balance at the beginning of the period	$12,128	$15,199
Additions	—	—
Accretion	(3,579)	(4,025)
Adjustment to cash flows	3,784	954
Balance at the end of the period	$12,333	$12,128

On July 12, 2005, prior to Fleetwood's acquisition of Palm Harbor and CountryPlace, CountryPlace completed its initial securitization (2005-1) for approximately $141.0 million of loans, which was funded by issuing bonds totaling approximately $118.4 million. The bonds were issued in four different classes: Class A-1 totaling $36.3 million with a coupon rate of 4.23%; Class A-2 totaling $27.4 million with a coupon rate of 4.42%; Class A-3 totaling $27.3 million with a coupon rate of 4.80%; and Class A-4 totaling $27.4 million with a coupon rate of 5.20%. The bonds mature at varying dates and at issuance had an expected weighted average maturity of 4.66 years. For accounting purposes, this transaction was structured as a securitized borrowing. As of April 2, 2016, the Class A-1 and Class A-2 bonds have been retired.

On March 22, 2007, prior to Fleetwood's acquisition of Palm Harbor and CountryPlace, CountryPlace completed its second securitization (2007-1) for approximately $116.5 million of loans, which was funded by issuing bonds totaling approximately $101.9 million. The bonds were issued in four classes: Class A-1 totaling $28.9 million with a coupon rate of 5.484%; Class A-2 totaling $23.4 million with a coupon rate of 5.232%; Class A-3 totaling $24.5 million with a coupon rate of 5.593%; and Class A-4 totaling $25.1 million with a coupon rate of 5.846%. The bonds mature at varying dates and at issuance had an expected weighted average maturity of 4.86 years. For accounting purposes, this transaction was also structured as a securitized borrowing. As of April 2, 2016, the Class A-1 and Class A-2 bonds have been retired.

CountryPlace's securitized debt is subject to provisions that require certain levels of overcollateralization. Overcollateralization is equal to CountryPlace's equity in the bonds. Failure to satisfy these provisions could cause cash, which would normally be distributed to CountryPlace, to be used for repayment of the principal of the related Class A bonds until the required overcollateralization level is reached. During periods when the overcollateralization is below the specified level, cash collections from the securitized loans in excess of servicing fees payable to CountryPlace and amounts owed to the Class A bondholders, trustee and surety, are applied to reduce the Class A debt until such time the overcollateralization level reaches the specified level. Therefore, failure to meet the overcollateralization requirement could adversely affect the timing of cash flows received by CountryPlace. However, principal payments of the securitized debt, including accelerated amounts, is payable only from cash collections from the securitized loans and no additional sources of repayment are required or permitted. As of April 2, 2016, the 2005-1 and 2007-1 securitized portfolios were within the required overcollateralization level.

Scheduled maturities for future fiscal years of the Company's debt obligations consist of the following (in thousands):

2017	$6,266
2018	5,225
2019	4,687
2020	22,927
2021	22,080

Actual payments may vary from those above, resulting from prepayments or defaults on the underlying mortgage portfolio.

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13. Reinsurance

Standard Casualty is primarily a specialty writer of manufactured home physical damage insurance. Certain of Standard Casualty's premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide Standard Casualty with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. Standard Casualty remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Substantially all of Standard Casualty's assumed reinsurance is with one entity.

The effects of reinsurance on premiums written and earned are as follows (in thousands):

	Year Ended April 2, 2016		Year Ended March 28, 2015	
	Written	Earned	Written	Earned
Direct premiums	$15,595	$14,764	$13,863	$12,865
Assumed premiums—nonaffiliate	22,580	21,191	20,382	18,680
Ceded premiums—nonaffiliate	(11,088)	(11,088)	(9,733)	(9,733)
Net premiums	$27,087	$24,867	$24,512	$21,812

Typical insurance policies written or assumed by Standard Casualty have a maximum coverage of $300,000 per claim, of which Standard Casualty cedes $200,000 of the risk of loss per reinsurance. Therefore, Standard Casualty maintains risk of loss limited to $100,000 per claim on typical policies. Amounts are recoverable by Standard Casualty through reinsurance for catastrophic losses in excess of $1.0 million per occurrence up to a maximum of $44.0 million in the aggregate.

Purchasing reinsurance contracts protects Standard Casualty from frequency and/or severity of losses incurred on insurance policies issued, such as in the case of a catastrophe that generates a large number of serious claims on multiple policies at the same time.

14. Income Taxes

The provision for income taxes for fiscal years 2016, 2015 and 2014 were as follows (in thousands):

	Fiscal Year		
	2016	2015	2014
Current			
Federal	$15,070	$8,277	$7,630
State	1,350	882	913
Total current	16,420	9,159	8,543
Deferred			
Federal	(987)	3,937	586
State	54	414	(30)
Total deferred	(933)	4,351	556
Total income tax provision	$15,487	$13,510	$9,099

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A reconciliation of income taxes computed by applying the expected federal statutory income tax rates of 35% for fiscal years 2016, 2015 and 2014 to income before income taxes to the total income tax provision reported in the Consolidated Statements of Comprehensive Income is as follows (in thousands):

	Fiscal Year		
	2016	2015	2014
Federal income tax at statutory rate	$15,410	$13,065	$9,732
State income taxes, net of federal benefit	1,427	1,104	849
Tax credits	(941)	(374)	(319)
Domestic production activities deduction	(889)	(561)	(783)
Change in deferred tax rate	(136)	92	(557)
Other	616	184	177
Total income tax provision	$15,487	$13,510	$9,099

Net current deferred tax assets and net long-term deferred tax liabilities were as follows (in thousands):

	April 2, 2016	March 28, 2015
Net current deferred tax assets (liabilities)		
Warranty reserves	$5,019	$3,714
Salaries and wages	2,501	2,354
Inventory	1,510	1,305
Prepaid expenses	(1,472)	(774)
Deferred revenue	1,206	1,132
Policy acquisition costs	(1,201)	(1,136)
Other	1,435	1,978
	$8,998	$8,573
Net long-term deferred tax (liabilities) assets		
Goodwill	$(24,635)	$(24,714)
Loan discount	7,546	8,519
Property, plant, equipment and depreciation	(4,621)	(4,970)
Stock based compensation	2,784	2,648
Other intangibles	(2,418)	(2,416)
Deferred margin	1,562	1,117
Other	(829)	(771)
	$(20,611)	$(20,587)

The effective income tax rate for the current year was positively impacted by the timing of certain tax credits and deductions. As Cavco's taxable income has grown, we have realized additional benefit from tax deductions established to favor domestic manufacturing operations. We also received benefit from tax credits, including the Work Opportunity Tax Credit, the Energy Efficient Home Credit and fuel tax credits.

The Company recorded an insignificant amount of unrecognized tax benefits during fiscal years 2016, 2015 and 2014, and there would be an insignificant effect on the effective tax rate if all unrecognized tax benefits were recognized. The Company classifies interest and penalties related to unrecognized tax benefits in income tax expense. At April 2, 2016, the Company has state net operating loss carryforwards that total $11.3 million, that began to expire in 2015. As a result, the Company recorded a $26,000 valuation allowance against the related deferred tax asset.

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The Company periodically evaluates the deferred tax assets based on the requirements established in ASC 740 which requires the recording of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of the need for or amount of any valuation allowance involves significant management judgment and is based upon the evaluation of both positive and negative evidence, including management projections of anticipated taxable income. At April 2, 2016, the Company evaluated forecasted taxable income and determined that, except as described above, all of the deferred tax assets would be utilized in future periods. Ultimate realization of the deferred tax assets depends on our ability to meet these forecasts in future periods.
Income tax returns are filed in the U.S. federal jurisdiction and in several state jurisdictions. The Company is no longer subject to examination by the IRS for years before fiscal year 2013. In general, the Company is no longer subject to state and local income tax examinations by tax authorities for years before fiscal year 2012. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to the Company's financial position. The total amount of unrecognized tax benefit related to any particular tax position is not anticipated to change significantly within the next 12 months.
The provision for income taxes generally represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

15. Commitments and Contingencies

Repurchase Contingencies. The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for independent retailers of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The risk of loss under these agreements is spread over numerous retailers. The price the Company is obligated to pay generally declines over the period of the agreement (generally 18 to 36 months, calculated from the date of sale to the retailer) and the risk of loss is further reduced by the resale value of the repurchased homes. The Company applies ASC 460 and ASC 450-20 to account for its liability for repurchase commitments. Under the provisions of ASC 460, issuance of a guarantee results in two different types of obligations: (1) a non-contingent obligation to stand ready to perform under the repurchase commitment (accounted for pursuant to ASC 460) and (2) a contingent obligation to make future payments under the conditions of the repurchase commitment (accounted for pursuant to ASC 450-20). Management reviews the retailers' inventories to estimate the amount of inventory subject to repurchase obligation, which is used to calculate: (1) the fair value of the non-contingent obligation for repurchase commitments and (2) the contingent liability based on historical information available at the time. During the period in which a home is sold (inception of a repurchase commitment), the Company records the greater of these two calculations as a liability for repurchase commitments and as a reduction to revenue.

(1) The Company estimates the fair value of the non-contingent portion of its manufacturer's inventory repurchase commitment under the provisions of ASC 460 when a home is shipped to retailers whose floor plan financing includes a repurchase commitment. The fair value of the inventory repurchase agreement is determined by calculating the net present value of the difference in (a) the Company's interest cost to carry the inventory over the maximum repurchase liability period at the prevailing floor plan note interest rate and (b) the retailer's interest cost to carry the inventory over the maximum repurchase liability period at the interest rate of a similar type loan without a manufacturer's repurchase agreement in force. Following the inception of the commitment, the recorded reserve is reduced over the repurchase period in conjunction with applicable curtailment arrangements and is eliminated once the retailer sells the home.

(2) The Company estimates the contingent obligation to make future payments under its manufacturer's inventory repurchase commitment for the same pool of commitments as used in the fair value calculation above and records the greater of the two calculations. This contingent obligation is estimated using historical loss factors, including the frequency of repurchases and the losses experienced by the Company for repurchased inventory.

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Additionally, subsequent to the inception of the repurchase commitment, the Company evaluates the likelihood that it will be called on to perform under the inventory repurchase commitments. If it becomes probable that a retailer will default and an ASC 450-20 loss reserve should be recorded, then such contingent liability is recorded equal to the estimated loss on repurchase. Based on identified changes in retailers' financial conditions, the Company evaluates the probability of default for retailers who are identified at an elevated risk of default and applies a probability of default, based on historical default rates. Commensurate with this default probability evaluation, the Company reviews repurchase notifications received from floor plan sources and reviews retailer inventory for expected repurchase notifications based on various communications from the lenders and retailers. The Company's repurchase commitments for the retailers in the category of elevated risk of default are excluded from the pool of commitments used in both of the calculations at (1) and (2) above. Changes in the reserve are recorded as an adjustment to revenue. The maximum amount for which the Company was liable under such agreements approximated $46.6 million and $28.3 million at April 2, 2016 and March 28, 2015, respectively, without reduction for the resale value of the homes. The Company had a reserve for repurchase commitments of $1.7 million and $2.2 million at April 2, 2016 and March 28, 2015, respectively. Activity in the liability for estimated repurchase contingencies was as follows for fiscal years 2016, 2015 and 2014 (in thousands):

	Fiscal Year		
	2016	2015	2014
Balance at beginning of period	$2,240	$1,845	$1,352
(Credited) Charged to costs and expenses	(187)	522	493
Payments and deductions	(393)	(127)	—
Balance at end of period	$1,660	$2,240	$1,845

Leases. The Company leases certain equipment and facilities under operating leases with various renewal options. Rent expense was $5.1 million, $4.5 million and $4.4 million for the fiscal years ended April 2, 2016, March 28, 2015 and March 29, 2014, respectively. Future minimum lease commitments under all noncancelable operating leases having a remaining term in excess of one year at April 2, 2016, are as follows (in thousands):

2017	$2,997
2018	2,567
2019	1,899
2020	1,308
2021 and thereafter	1,087
	$9,858

Letters of Credit. To secure certain reinsurance contracts, Standard Casualty maintains an irrevocable letter of credit of $7.0 million to provide assurance that Standard Casualty will fulfill its reinsurance obligations. This letter of credit is secured by certain of the Company’s investments.

Construction-Period Mortgages. CountryPlace funds construction-period mortgages through periodic advances during the period of home construction. At the time of initial funding, CountryPlace commits to fully fund the loan contract in accordance with a predetermined schedule. Subsequent advances are contingent upon the performance of contractual obligations by the seller of the home and the borrower. Cumulative advances on construction-period mortgages are carried in the consolidated balance sheet at the amount advanced less a valuation allowance, which are included in consumer loans receivable. The total loan contract amount, less cumulative advances, represents an off-balance sheet contingent commitment of CountryPlace to fund future advances.

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Loan contracts with off-balance sheet commitments are summarized below (in thousands):

	April 2, 2016	March 28, 2015
Construction loan contract amount	$15,109	$ 9,591
Cumulative advances	(6,566)	(4,076)
Remaining construction contingent commitment	$8,543	$ 5,515

Representations and Warranties of Mortgages Sold. CountryPlace sells loans to GSEs and whole-loan purchasers. In connection with these activities, CountryPlace provides to the GSEs and whole-loan purchasers, representations and warranties related to the loans sold. These representations and warranties generally relate to the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the sale transactions, including compliance with underwriting standards or loan criteria established by the buyer and CountryPlace's ability to deliver documentation in compliance with applicable laws. Generally, representations and warranties may be enforced at any time over the life of the loan. Upon a breach of a representation, CountryPlace may be required to repurchase the loan or to indemnify a party for incurred losses. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase. CountryPlace manages the risk of repurchase through underwriting and quality assurance practices and by servicing the mortgage loans to investor standards. CountryPlace maintains a reserve for these contingent repurchase and indemnification obligations. This reserve of $785,000 and $867,000 as of April 2, 2016 and March 28, 2015, respectively, included in accrued liabilities, reflects management's estimate of probable loss. CountryPlace considers a variety of assumptions, including borrower performance (both actual and estimated future defaults), historical repurchase demands and loan defect rates to estimate the liability for loan repurchases and indemnifications. During the year ended April 2, 2016, one claim request resulted in an indemnification agreements being executed.

Interest Rate Lock Commitments. In originating loans for sale, CountryPlace issues interest rate lock commitments ("IRLCs") to prospective borrowers and third-party originators. These IRLCs represent an agreement to extend credit to a loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to loan closing or sale. These IRLCs bind CountryPlace to fund the approved loan at the specified rate regardless of whether interest rates or market prices for similar loans have changed between the commitment date and the closing date. As such, outstanding IRLCs are subject to interest rate risk and related loan sale price risk during the period from the date of the IRLC through the earlier of the loan sale date or IRLC expiration date. The loan commitments generally range between 30 and 180 days; however, borrowers are not obligated to close the related loans. As a result, CountryPlace is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs unless the commitment is successfully paired with another loan that may mitigate losses from fallout.

As of April 2, 2016 CountryPlace had outstanding IRLCs with a notional amount of $4.3 million and are recorded at fair value in accordance with FASB ASC 815, Derivatives and Hedging ("ASC 815"). ASC 815 clarifies that the expected net future cash flows related to the associated servicing of a loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The estimated fair values of IRLCs are recorded in other assets in the consolidated balance sheets. The fair value of IRLCs is based on the value of the underlying mortgage loan adjusted for: (i) estimated cost to complete and originate the loan and (ii) the estimated percentage of IRLCs that will result in closed mortgage loans. The initial and subsequent changes in the value of IRLCs are a component of gain (loss) on mortgage loans held for sale. During fiscal years 2016, 2015 and 2014, CountryPlace recognized a loss of $11,000, a gain of $34,000 and a loss of $42,000, respectively, on the outstanding IRLCs.

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Forward Sales Commitments. CountryPlace manages the risk profiles of a portion of its outstanding IRLCs and mortgage loans held for sale by entering into forward sales of mortgage backed securities ("MBS") and whole loan sale commitments. As of April 2, 2016 CountryPlace had $17.0 million in outstanding notional forward sales of MBSs and forward sales commitments. Commitments to forward sales of whole loans are typically in an amount proportionate with the amount of IRLCs expected to close in particular time frames, assuming no change in mortgage interest rates, for the respective loan products intended for whole loan sale.

The estimated fair values of forward sales of MBS and forward sale commitments are based on quoted market values and are recorded within other current assets in the consolidated balance sheets. During the years ended April 2, 2016 and March 28, 2015, CountryPlace recognized a gain of $23,000, a loss of $78,000 and a gain of $28,000, respectively, on forward sales and whole loan sale commitments.

Legal Matters. The Company is party to certain legal proceedings that arise in the ordinary course and are incidental to its business. Certain of the claims pending against the Company in these proceedings allege, among other things, breach of contract and warranty, product liability and personal injury. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on the Company’s consolidated financial position, liquidity or results of operations. However, future events or circumstances currently unknown to management will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on the Company’s consolidated financial position, liquidity or results of operations in any future reporting periods.

16. Stock-Based Compensation

The Company maintains stock incentive plans whereby stock option grants or awards of restricted stock may be made to certain officers, directors and key employees. The plans, which are shareholder approved, permit the award of up to 1,650,000 shares of the Company’s common stock, of which 386,131 shares were still available for grant. When options are exercised, new shares of the Company’s common stock are issued. Stock options may not be granted below 100% of the fair market value of the Company’s common stock at the date of grant and generally expire seven years from the date of grant. Stock options and awards of restricted stock typically vest over a one to five year period as determined by the plan administrator (the Compensation Committee of the Board of Directors, which consists of independent directors). The stock incentive plans provide for accelerated vesting of stock options and removal of restrictions on restricted stock awards upon a change in control (as defined in the plans).

The Company applies the fair value recognition provisions of FASB ASC 718, Compensation—Stock Compensation ("ASC 718"). Stock option compensation expense, including restricted stock, decreased income before income taxes by approximately $1.8 million, $1.7 million and $2.4 million for fiscal years 2016, 2015 and 2014, respectively. As of April 2, 2016, total unrecognized compensation cost related to stock options was approximately $2.2 million and the related weighted-average period over which it is expected to be recognized is approximately 2.73 years.

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The following table summarizes the option activity within the Company's stock-based compensation plans for the fiscal years 2016, 2015 and 2014:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at March 30, 2013	399,700	$ 35.83		
Granted	64,450	52.99		
Exercised	(9,500)	37.66		
Canceled or expired	(10,750)	48.28		
Options outstanding at March 29, 2014	443,900	$ 37.98	3.67	$ 18,047
Granted	80,730	78.35		
Exercised	(14,375)	34.76		
Canceled or expired	(3,275)	51.13		
Options outstanding at March 28, 2015	506,980	$ 44.42	3.29	$ 15,836
Granted	90,500	75.27		
Exercised	(104,500)	33.46		
Canceled or expired	(1,000)	75.90		
Options outstanding at April 2, 2016	491,980	$ 51.91	3.28	$ 35,906
Exercisable at March 29, 2014	259,625	$ 34.56	3.03	$ 11,445
Exercisable at March 28, 2015	347,750	$ 36.17	2.36	$ 13,537
Exercisable at April 2, 2016	320,975	$ 41.01	2.09	$ 24,786

The weighted-average estimated fair value of employee stock options granted during fiscal years 2016, 2015 and 2014 were $27.83, $30.11 and $21.44, respectively. The total intrinsic value of options exercised during fiscal years 2016, 2015 and 2014 was $4.9 million, $593,000 and $257,000, respectively.

The Company uses the Black-Scholes-Merton option-pricing model to determine the fair value of stock options. The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include actual and projected employee stock option exercise behaviors, the Company's expected stock price volatility over the expected term of the awards, risk-free interest rate and expected dividends. The fair values of options granted were estimated at the date of grant using the following weighted average assumptions:

	Fiscal Year		
	2016	2015	2014
Volatility	39.8 %	42.4 %	47.7 %
Risk-free interest rate	1.5 %	1.5 %	1.2 %
Dividend yield	— %	— %	— %
Expected option life in years	5.03	4.87	4.52

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The Company estimates the expected term of options granted by using the simplified method as prescribed by SEC Staff Accounting Bulletin ("SAB") No. 107 and SAB 110. The Company uses the simplified method as the Company does not have sufficient historical share option exercise data due to the limited number of shares granted under the programs as well as changes in the Company's business and grantee population due to the acquisitions of Fleetwood and Palm Harbor, rendering existing historical experience less reliable in formulating expectations for current grants. The Company estimates the expected volatility of its common stock taking into consideration its historical stock price movement and its expected future stock price trends based on known or anticipated events. The Company bases the risk-free interest rate that it uses in the option pricing model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option-pricing model. The Company is required to estimate future forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation cost only for those awards that are expected to vest. The Company recognizes stock-based compensation expense using the straight-line attribution method.

17. Earnings Per Share

Basic earnings per common share is computed based on the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed based on the combination of dilutive common share equivalents, comprised of shares issuable under the Company’s stock-based compensation plans and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money options to purchase shares, which is calculated based on the average share price for each period using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share for fiscal years 2016, 2015 and 2014 (dollars in thousands, except per share amounts):

	Fiscal Year		
	2016	2015	2014
Net income attributable to Cavco common stockholders	$28,541	$ 23,817	$ 16,238
Weighted average shares outstanding:			
Basic	8,889,731	8,854,359	8,262,688
Common stock equivalents—treasury stock method	156,616	161,420	116,336
Diluted	9,046,347	9,015,779	8,379,024
Net income per share attributable to Cavco common stockholders:			
Basic	$3.21	$ 2.69	$ 1.97
Diluted	$3.15	$ 2.64	$ 1.94

There were 11,161 anti-dilutive common stock equivalents excluded from the computation of diluted earnings per share for the year ended April 2, 2016, 2,669 for the year ended March 28, 2015 and none for the year ended March 29, 2014.

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18. Fair Value Measurements

The book value and estimated fair value of the Company's financial instruments are as follows (in thousands):

	April 2, 2016		March 28, 2015	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Available-for-sale investment securities (1)	$24,247	$24,247	$21,283	$21,283
Non-marketable equity investments (2)	14,841	14,841	10,636	10,636
Consumer loans receivable (3)	89,558	126,077	98,158	129,616
Interest rate lock commitment derivatives (4)	8	8	19	19
Forward loan sale commitment derivatives (4)	(31)	(31)	(54)	(54)
Commercial loans receivable (5)	25,542	25,688	18,081	18,025
Securitized financings (6)	(61,171)	(60,220)	(66,960)	(67,064)
Mortgage servicing rights (7)	803	803	475	475

(1) The fair value is based on quoted market prices.

(2) The fair value approximates book value based on the non-marketable nature of the investments.

(3) Includes consumer loans receivable held for investment, held for sale and construction advances. The fair value of the loans held for investment is based on the discounted value of the remaining principal and interest cash flows. The fair value of the loans held for sale are estimated based on recent GSE mortgage backed bond prices. The fair value of the construction advances approximates book value and the sales price of these loans is estimated based on construction completed.

(4) The fair values are based on changes in GSE mortgage backed bond prices, and additionally for IRLCs, pull through rates.

(5) The fair value is estimated using market interest rates of comparable loans.

(6) The fair value is estimated using recent public transactions of similar asset-backed securities.

(7) The fair value of the mortgage servicing rights is based on the present value of expected net cash flows related to servicing these loans.

In accordance with FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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When the Company uses observable market prices for identical securities that are traded in less active markets, it classifies such securities as Level 2. When observable market prices for identical securities are not available, the Company prices its marketable debt instruments using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Non-binding market consensus prices are based on the proprietary valuation models of pricing providers or brokers. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical or similar securities; and the internal assumptions of pricing providers or brokers that use observable market inputs and, to a lesser degree, unobservable market inputs.

Financial instruments measured at fair value on a recurring basis are summarized below (in thousands):

	April 2, 2016			
	Total	Level 1	Level 2	Level 3
Securities issued by the U.S Treasury and Government (1)	$999	$ —	$999	$ —
Mortgage-backed securities (1)	5,819	—	5,819	—
Securities issued by states and political subdivisions (1)	7,421	—	7,421	—
Corporate debt securities (1)	1,164	—	1,164	—
Marketable equity securities (1)	7,844	7,844	—	—
Interest rate lock commitment derivatives (2)	8	—	—	8
Forward loan sale commitment derivatives (2)	(31)	—	—	(31)
Mortgage servicing rights (3)	803	—	—	803

(1) Unrealized gains or losses on investments are recorded in accumulated other comprehensive income (loss) at each measurement date.

(2) Gains or losses on derivatives are recognized in current period earnings through cost of sales.

(3) Changes in the fair value of mortgage servicing rights are recognized in the current period earnings through net revenue.

No transfers between Level 1, Level 2 or Level 3 occurred during the year ended April 2, 2016. The Company's policy regarding the recording of transfers between levels is to record any such transfers at the end of the reporting period.

Financial instruments for which fair value is disclosed but not required to be recognized in the balance sheet on a recurring basis are summarized below (in thousands):

	April 2, 2016			
	Total	Level 1	Level 2	Level 3
Loans held for investment	$110,241	$ —	$ —	$110,241
Loans held for sale	9,270	—	9,270	—
Loans held—construction advances	6,566	—	—	6,566
Commercial loans receivable	25,688	—	—	25,688
Securitized financings	(60,220)	—	(60,220)	—
Non-marketable equity investments	14,841	—	—	14,841

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Financial instruments measured on a nonrecurring basis also include impaired loans (nonaccrual loans) and loans held for sale. No recent sales have been executed in an orderly market of manufactured home loan portfolios with comparable product features, credit characteristics, or performance. Impaired loans are measured using Level 3 inputs that are calculated using estimated discounted future cash flows with discount rates considered to reflect current market conditions. Loans held for sale are measured at the lower of cost or fair value using Level 2 inputs that consist of commitments on hand from investors. These loans are held for relatively short periods, typically no more than 45 days. As a result, changes in loan-specific credit risk are not a significant component of the change in fair value. The cost of loans held for sale is lower than the fair value as of April 2, 2016.
FASB ASC 825, Financial Instruments ("ASC 825"), requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the Company’s fair values should not be compared to those of other companies.
Under ASC 825, fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying market value of the Company.
The Company records impairment losses on long-lived assets held for sale when the fair value of such long-lived assets is below their carrying values. The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The Company recorded no impairment charges on assets held for sale or used in operations during the fiscal years ended April 2, 2016 and March 28, 2015.
Mortgage Servicing. Mortgage Servicing Rights ("MSRs") are the rights to receive a portion of the interest coupon and fees collected from the mortgagors for performing specified mortgage servicing activities, which consist of collecting loan payments, remitting principal and interest payments to investors, managing escrow accounts, performing loss mitigation activities on behalf of investors and otherwise administering the loan servicing portfolio. MSRs are initially recorded at fair value. Changes in fair value subsequent to the initial capitalization are recorded in net revenue in the Company's results of operations. The Company recognizes MSRs on all loans sold to investors that meet the requirements for sale accounting and for which servicing rights are retained.
The Company applies fair value accounting to MSRs, with all changes in fair value recorded to net revenue in accordance with FASB ASC 860-50, Servicing Assets and Liabilities. The fair value of MSRs is based on the present value of the expected future cash flows related to servicing these loans. The revenue components of the cash flows are servicing fees, interest earned on custodial accounts and other ancillary income. The expense components include operating costs related to servicing the loans (including delinquency and foreclosure costs) and interest expenses on servicer advances that the Company believes are consistent with the assumptions major market participants use in valuing MSRs. The expected cash flows are primarily impacted by prepayment estimates, delinquencies and market discounts. Generally, the value of MSRs is expected to increase when interest rates rise and decrease when interest rates decline, due to the effect those changes in interest rates have on prepayment estimates. Other factors noted above as well as the overall market demand for MSRs may also affect the valuation.

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	April 2, 2016	March 28, 2015
Number of loans serviced with MSRs	3,728	3,306
Weighted average servicing fee (basis points)	30.43	29.88
Capitalized servicing multiple	61.65 %	42.10 %
Capitalized servicing rate (basis points)	18.76	12.58
Serviced portfolio with MSRs (in thousands)	$428,324	$380,120
Mortgage servicing rights (in thousands)	$803	$475

19. Employee Benefit Plans

The Company has a self-funded group medical plan which is administered by third-party administrators. The medical plan has reinsurance coverage limiting liability for any individual employee loss to a maximum of $300,000. Incurred claims identified under the third-party administrator's incident reporting system and incurred but not reported claims are accrued based on estimates that incorporate the Company's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries when necessary. Medical claims expense was $15.7 million, $6.6 million and $6.1 million for fiscal years 2016, 2015 and 2014, respectively.

The Company sponsors an employee savings plan (the "401k Plan") that is intended to provide participating employees with additional income upon retirement. Employees may contribute their eligible compensation up to federal limits to the 401k Plan. The Company match is discretionary, and may be up to 50% of the first 5% of eligible compensation contributed by employees up to a maximum of $1,000. For calendar year 2015, the Company match was 20% of the first 3% of eligible compensation contributed by employees. Employees are eligible to participate on the first of the month following 90 days of service and employer matching contributions are vested progressively over a four-year period. Employer matching contribution expense was $567,000, $411,000 and $561,000 for fiscal years 2016, 2015 and 2014, respectively.

20. Redeemable Noncontrolling Interest

During fiscal year 2010, the Company and an investment partner, Third Avenue Value Fund, formed Fleetwood, with an initial contribution of $35.0 million each for equal 50 percent ownership interests. On July 21, 2009, Fleetwood entered into an asset purchase agreement with Fleetwood Enterprises, Inc. and certain of its subsidiaries to purchase certain assets and liabilities of its manufactured housing business.

The Company and Third Avenue Value Fund subsequently contributed an additional $36.0 million each in anticipation of the purchase of Palm Harbor, which was completed during the first quarter of fiscal year 2012. Subsequent to the transaction, a portion of Third Avenue Value Fund’s interests were transferred to an affiliate along with the applicable rights and obligations. This transfer had no impact on Cavco’s ownership interest.

Since the Fleetwood Acquisition, financial information for Fleetwood was included in the Company’s Consolidated Financial Statements and the related Notes in accordance with the provisions of ASC 810. Management determined that, although Fleetwood was only 50 percent owned by the Company, Cavco had a controlling interest and was required to fully consolidate the results of Fleetwood. Third Avenue’s financial interest in Fleetwood was considered a "redeemable noncontrolling interest,"as determined by GAAP, and was designated as such in the Consolidated Financial Statements.

On July 22, 2013, Cavco purchased all noncontrolling interests in Fleetwood, Cavco’s subsidiary that owns Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty (the "Fleetwood Businesses"). As consideration for the 50 percent interest that it did not already own, the Company issued 1,867,370 shares of Cavco common stock, derived by dividing the purchase price of $91.4 million by the 60-day volume-weighted average price per share, in accordance with the terms of the Stock Purchase Agreement.

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Historically, 50 percent of the financial results of these businesses has been recorded as attributable to Cavco's common stockholders in the Consolidated Financial Statements. The acquisition closed on July 22, 2013, resulting in Cavco owning 100 percent of the Fleetwood Businesses and entitling Cavco to all of the associated earnings from that date forward. The acquisition was accounted for as an equity transaction under ASC 810; accordingly, no gain or loss was recorded in the purchase of the noncontrolling interest, which had a carrying value of $94.4 million as of the closing date. As of July 22, 2013, Fleetwood and its subsidiaries are wholly-owned by the Company and Third Avenue no longer has a noncontrolling interest in Fleetwood.

21. Related Party Transactions

As discussed in Note 20, on July 22, 2013, Cavco completed the purchase of all noncontrolling interests in Cavco's subsidiary that owns Fleetwood Homes, Palm Harbor Homes, CountryPlace and Standard Casualty from Third Avenue. The Company satisfied the purchase price with 1,867,370 newly issued shares of Company common stock (the "Cavco Shares"). Third Avenue is considered a principal owner, and therefore a related party, under ASC 850, Related Party Disclosures ("ASC 850"). Subsequent to the transaction, Third Avenue beneficially owned approximately 22.8% of Cavco's outstanding common stock. As of April 2, 2016, Third Avenue Management LLC beneficially owned approximately 8.2% of our outstanding common shares. Third Avenue Management LLC and Third Avenue Value Fund are either directly or indirectly under common control.

The Company issued the Cavco Shares in reliance upon the exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended. In accordance with the Stock Purchase Agreement, the Company filed a registration statement with the SEC seeking registration of the Cavco Shares. The SEC declared the registration statement effective on October 11, 2013. However, Third Avenue remains subject to certain restrictions on its ability to transfer its Cavco Shares. During the Standstill Period (defined below) Cavco has a "right of first offer" to acquire any Cavco Shares that Third Avenue wishes to transfer to independent third parties.

From and after the closing and continuing until the termination of the Standstill Period, Third Avenue agreed that it would vote all Cavco Shares in accordance with the recommendations of the Company's Board of Directors with respect to any action, proposal or other matter to be voted on by the stockholders of Cavco. The "Standstill Period" ends on the earlier of (i) the fourth anniversary of the Closing Date (July 22, 2017) or (ii) the third anniversary of the Closing Date (July 22, 2016) if Third Avenue owns less than 12.5% of the outstanding Cavco common stock on the third anniversary date. Additionally, during the Standstill Period, Third Avenue has agreed not to do any of the following without the prior written consent of the Company: acquire beneficial ownership of common equity securities of the Company or any other securities of the Company entitled to vote generally in the election of directors of the Company; deposit any securities of the Company in a voting trust or similar arrangement or subject any voting securities of the Company to any voting agreement, pooling arrangement or similar arrangement, or grant any proxy with respect to any voting securities of the Company; enter, agree to enter, propose or offer to enter into or facilitate any merger, business combination, tender offer, recapitalization, restructuring, change in control transaction or other similar extraordinary transaction involving the Company or any of its subsidiaries; make, or in any way participate or engage in, any "solicitation" of "proxies" to vote, or advise or knowingly influence any person with respect to the voting of, any voting securities of the Company or any of its subsidiaries; call, or seek to call, a meeting of the shareholders of the Company or initiate any shareholder proposal for action by the shareholders of the Company; form, join or in any way participate in a Group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to any voting securities of the Company; otherwise act, alone or in concert with others, to seek to control or influence the Board or the management or policies of the Company; publicly disclose any intention, plan or arrangement prohibited by, or inconsistent with, the foregoing; advise or knowingly assist or encourage or enter into any discussions, negotiations, agreements or arrangements with any other person or Group (within the meaning of Section 13(d)(3) of the Exchange Act) in connection with the foregoing; or knowingly transfer more than 3% of the Cavco Shares to any one individual or entity.

In July 2015, the Company's CEO made a payment of $1.1 million to the Company, representing the repayment of performance bonuses related to fiscal 2012, 2014 and 2015 that were determined to be in excess of the 2005 Stock Incentive Plan limits and made to the CEO during those periods.

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22. Acquisitions of Chariot Eagle and Fairmont Homes

On March 30, 2015, the Company purchased certain manufactured housing assets and liabilities of Chariot Eagle, which produces park model RVs and manufactured homes distributed in the southeastern United States. On May 1, 2015, the Company purchased certain manufactured housing assets and liabilities of Fairmont Homes, a premier builder of manufactured and modular homes and park model RVs serving the Midwest, western Great Plains states, the Northeast and several provinces in Canada. These acquisitions were accounted for as business combinations and the results of operations have been included since the date of acquisition.

Chariot Eagle and Fairmont Homes contributed net revenue of $88.3 million and net income of $1.9 million to our consolidated financial statements for the fiscal year ended April 2, 2016.

Pro Forma Impact of Acquisition (unaudited). The following table presents supplemental pro forma information as if the acquisition of Fairmont Homes had occurred on March 30, 2014 (in thousands, except per share data):

	Unaudited Pro Forma Consolidated Results Year Ended	
	April 2, 2016	March 28, 2015
Net revenue	$721,676	$672,178
Net income	29,924	25,716
Diluted net income per share	3.31	2.85

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23. Business Segment Information

The Company operates principally in two segments: (1) factory-built housing, which includes wholesale and retail systems-built housing operations and (2) financial services, which includes manufactured housing consumer finance and insurance. The following table details net revenue and income before income taxes by segment (in thousands):

	Fiscal Year Ended		
	April 2, 2016	March 28, 2015	March 29, 2014
Net revenue:			
Factory-built housing	$655,148	$513,707	$485,897
Financial services	57,204	52,952	47,442
	$712,352	$566,659	$533,339
Net revenue for financial services consists of:			
Consumer finance	$20,240	$19,571	$19,617
Insurance	36,964	33,381	27,825
	$57,204	$52,952	$47,442
Income before income taxes:			
Factory-built housing	$35,440	$25,133	$16,223
Financial services	8,588	12,194	11,582
	$44,028	$37,327	$27,805
Depreciation:			
Factory-built housing	$3,376	$2,307	$2,551
Financial services	92	71	69
	$3,468	$2,378	$2,620
Amortization:			
Factory-built housing	$253	$1,178	$1,179
Financial services	201	201	201
	$454	$1,379	$1,380
Income tax expense:			
Factory-built housing	$12,369	$9,160	$5,012
Financial services	3,118	4,350	4,087
	$15,487	$13,510	$9,099
Capital expenditures:			
Factory-built housing	$3,443	$2,084	$2,178
Financial services	76	126	87
	$3,519	$2,210	$2,265

	April 2, 2016	March 28, 2015
Total assets:		
Factory-built housing	$382,176	$332,712
Financial services	171,659	169,870
	$553,835	$502,582

24. Quarterly Financial Data (Unaudited)

The following tables set forth certain unaudited quarterly financial information for fiscal years 2016 and 2015.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Fiscal year ended April 2, 2016					
Net revenue	$161,668	$191,964	$181,427	$177,293	$712,352
Gross profit	31,834	39,555	36,390	36,666	144,445
Net income attributable to Cavco common stockholders	5,385	8,070	8,098	6,988	28,541
Net income per share attributable to Cavco common stockholders:					
Basic	$0.61	$0.91	$0.91	$0.78	$3.21
Diluted	$0.60	$0.89	$0.89	$0.77	$3.15
Fiscal year ended March 28, 2015					
Net revenue	$139,164	$139,315	$146,932	$141,248	$566,659
Gross profit	31,718	31,597	31,801	31,020	126,136
Net income attributable to Cavco common stockholders	5,759	5,467	6,638	5,953	23,817
Net income per share attributable to Cavco common stockholders:					
Basic	$0.65	$0.62	$0.75	$0.67	$2.69
Diluted	$0.64	$0.61	$0.74	$0.66	$2.64