

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

FORM 10-Q

(Mark One)

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission File Number 000-08822

Cavco Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

56-2405642
(IRS Employer Identification Number)

1001 North Central Avenue, Suite 800, Phoenix, Arizona 85004
(Address of principal executive offices)
(Zip Code)

(602) 256-6263
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last year)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

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

As of November 6, 2007, there were 6,427,165 shares of the registrant's common stock, \$.01 par value, issued and outstanding.

CAVCO INDUSTRIES, INC.
FORM 10-Q
September 30, 2007

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

CAVCO INDUSTRIES, INC. CONSOLIDATED BALANCE SHEETS (Dollars in thousands)

	September 30, 2007	March 31, 2007
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,640	\$ 12,976
Short-term investments	64,675	50,900
Restricted cash	323	339
Accounts receivable	8,641	8,107
Inventories	11,689	13,464
Prepaid expenses and other current assets	1,874	2,273
Deferred income taxes	4,018	3,930
Total current assets	97,860	91,989
Property, plant and equipment, at cost:		
Land	6,050	6,050
Buildings and improvements	7,207	7,029
Machinery and equipment	7,874	7,617
	21,131	20,696
Accumulated depreciation	(8,215)	(7,894)
	12,916	12,802
Goodwill	67,346	67,346
Total assets	\$ 178,122	\$ 172,137
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,479	\$ 2,868
Accrued liabilities	18,934	18,417
Total current liabilities	21,413	21,285
Deferred income taxes	13,802	12,760
Commitments and contingencies		
Stockholders' equity		
Preferred Stock, \$.01 par value; 1,000,000 shares authorized; No shares issued or outstanding	-	-
Common Stock, \$.01 par value; 20,000,000 shares authorized; Outstanding 6,425,165 and 6,382,980 shares, respectively	64	64
Additional paid-in capital	124,039	122,868
Retained earnings	18,804	15,160
Total stockholders' equity	142,907	138,092
Total liabilities and stockholders' equity	\$ 178,122	\$ 172,137

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net sales	\$ 38,435	\$ 43,063	\$ 75,801	\$ 97,113
Cost of sales	<u>32,887</u>	<u>35,014</u>	<u>64,813</u>	<u>78,445</u>
Gross profit	5,548	8,049	10,988	18,668
Selling, general and administrative expenses	<u>3,555</u>	<u>3,718</u>	<u>7,129</u>	<u>8,139</u>
Income from operations	1,993	4,331	3,859	10,529
Interest income	<u>718</u>	<u>619</u>	<u>1,389</u>	<u>1,193</u>
Income before income taxes	2,711	4,950	5,248	11,722
Income tax expense	<u>802</u>	<u>1,733</u>	<u>1,604</u>	<u>4,171</u>
Net income	<u>\$ 1,909</u>	<u>\$ 3,217</u>	<u>\$ 3,644</u>	<u>\$ 7,551</u>
Net income per share:				
Basic	<u>\$ 0.30</u>	<u>\$ 0.51</u>	<u>\$ 0.57</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.49</u>	<u>\$ 0.55</u>	<u>\$ 1.14</u>
Weighted average shares outstanding:				
Basic	<u>6,423,387</u>	<u>6,358,980</u>	<u>6,411,961</u>	<u>6,357,399</u>
Diluted	<u>6,660,242</u>	<u>6,602,291</u>	<u>6,656,135</u>	<u>6,623,719</u>

See accompanying Notes to Consolidated Financial Statements

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

	Six Months Ended September 30,	
	2007	2006
OPERATING ACTIVITIES		
Net income	\$ 3,644	\$ 7,551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	387	372
Deferred income taxes	954	800
Share-based compensation expense	219	528
Tax benefits from option exercises	374	75
Incremental tax benefits from option exercises	(313)	(66)
Changes in operating assets and liabilities:		
Restricted cash	16	686
Accounts receivable	(534)	2,999
Inventories	1,775	(1,282)
Prepaid expenses and other current assets	399	(682)
Accounts payable and accrued liabilities	128	(7,249)
Net cash provided by operating activities	7,049	3,732
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(501)	(714)
Purchases of short-term investments	(215,375)	(229,000)
Proceeds from sale of short-term investments	201,600	222,000
Net cash used in investing activities	(14,276)	(7,714)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	578	82
Incremental tax benefits from option exercises	313	66
Net cash provided by financing activities	891	148
Net decrease in cash and cash equivalents	(6,336)	(3,834)
Cash and cash equivalents at beginning of period	12,976	15,122
Cash and cash equivalents at end of period	\$ 6,640	\$ 11,288
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	\$ -	\$ 4,303

See accompanying Notes to Consolidated Financial Statements

CAVCO INDUSTRIES, INC.
Notes to Consolidated Financial Statements
September 30, 2007
(Dollars in thousands, except per share data)
(Unaudited)

1. Basis of Presentation

The accompanying Consolidated Financial Statements of Cavco Industries, Inc., and its wholly-owned subsidiaries (collectively, the “Company” or “Cavco”), have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for Quarterly Reports on Form 10-Q and Article 10 of SEC Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, these statements include all the normal recurring adjustments necessary to fairly state the Company’s Consolidated Financial Statements. The Consolidated Statements of Operations and Consolidated Statements of Cash Flows for the interim periods are not necessarily indicative of the results or cash flows for the full year. The Company suggests that these Consolidated Financial Statements be read in conjunction with the audited Consolidated Financial Statements and the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K filed with the SEC on May 22, 2007 (the “Form 10-K”).

The Company’s deferred tax assets primarily result from financial accruals and its deferred tax liabilities primarily result from excess tax amortization of goodwill.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (“FIN 48”), on April 1, 2007. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognizing, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 had no significant impact on the Company’s results of operations or balance sheet for the quarter ended September 30, 2007 and required no adjustment to opening balance sheet accounts as of March 31, 2007.

The Company has recorded an insignificant amount of unrecognized tax benefits 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 tax expense.

The Company previously operated as a wholly-owned subsidiary of Centex Corporation (“Centex”). On June 30, 2003, Centex distributed 100% of the outstanding shares of the Company’s common stock to the stockholders of Centex. Upon this distribution, Cavco Industries, Inc. became a separate public company, at which time, the Company became responsible for all U.S. federal, state or local income tax examinations by tax authorities in our major tax jurisdictions. Consolidated and separate income tax returns are filed in the U.S. federal jurisdiction and in several state jurisdictions. The Company is no longer subject to examinations by tax authorities in Arizona and California for years before fiscal year 2004. Additionally, the Internal Revenue Service (“IRS”) has completed its examination of the Company’s federal income tax return for fiscal year 2005 resulting with a Revenue Agent Report that indicated no changes; however, subsequent years and the prior fiscal year 2004 still remain subject to examination by the IRS. The Company believes that its income tax filing positions and deductions will be sustained on audit and do 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.

For a description of significant accounting policies used by the Company in the preparation of its Consolidated Financial Statements, please refer to Note 1 of the Notes to Consolidated Financial Statements in the Form 10-K.

2. Composition of Certain Financial Statement Captions

Inventories consist of the following:

	September 30, 2007	March 31, 2007
Raw materials	\$ 4,678	\$ 4,943
Work in process	2,633	3,001
Finished goods	4,378	5,520
	<u>\$ 11,689</u>	<u>\$ 13,464</u>

Accrued liabilities consist of the following:

	September 30, 2007	March 31, 2007
Estimated warranties	\$ 6,924	\$ 6,590
Salaries, wages and benefits	2,771	3,050
Accrued volume rebates	2,646	1,847
Accrued insurance	1,500	1,308
Customer deposits	1,305	1,777
Reserve for repurchase commitments	1,000	1,100
Other	2,788	2,745
	<u>\$ 18,934</u>	<u>\$ 18,417</u>

3. Warranties

Homes are 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 and current industry trends. Activity in the liability for estimated warranties was as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	\$ 6,828	\$ 7,050	\$ 6,590	\$ 6,850
Charged to costs and expenses	2,000	2,156	4,098	4,396
Deductions	(1,904)	(2,041)	(3,764)	(4,081)
Balance at end of period	<u>\$ 6,924</u>	<u>\$ 7,165</u>	<u>\$ 6,924</u>	<u>\$ 7,165</u>

4. Contingencies

Repurchase Contingencies - 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 - 24 months) and is further reduced by the resale value of the homes. The maximum amount for which the Company was contingently liable under such agreements approximated \$27,987 at September 30, 2007, without reduction for the resale value of the homes. The Company applies FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others*, an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 3 ("FIN 45") and SFAS No. 5, *Accounting for*

Contingencies (“SFAS 5”) to account for its liability for repurchase commitments. Under the provisions of FIN 45, the Company records the greater of the estimated fair value of the non-contingent obligation or a contingent liability under the provisions of SFAS 5. The Company recorded an estimated liability of \$1,000 at September 30, 2007 related to these commitments.

Letter of Credit - The Company maintains an \$870 outstanding letter of credit with J.P. Morgan Chase Bank N.A. issued for remaining claims under a self funded workers’ compensation program which concluded on September 30, 2006.

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.

5. 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 1,350,000 shares of the Company’s common stock, of which 559,211 shares were still available for grant at September 30, 2007. 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 vest over a three to five-year period. 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).

Effective April 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123 – revised 2004, *Share-Based Payment* (“FAS 123(R)”), and SEC Staff Accounting Bulletin No. 107 (“SAB 107”), using the modified-prospective transition method. Other than restricted stock awards, no share-based compensation cost had been reflected in net income prior to the adoption of FAS 123(R) and the results for prior periods have not been restated.

Stock-based compensation expense under FAS 123(R) decreased income before income taxes by approximately \$104 and \$234, respectively, for the three months ended September 30, 2007 and 2006 and by approximately \$209 and \$464, respectively, for the six months ended September 30, 2007 and 2006. Stock-based compensation expense decreased net income by approximately \$73 and \$152, respectively, for the three months ended September 30, 2007 and 2006, and by approximately \$145 and \$299, respectively, for the six months ended September 30, 2007 and 2006. Total compensation cost, including costs related to the vesting of restricted stock awards, charged against income for the three months ended September 30, 2007 and 2006 was approximately \$111 and \$235, respectively, and approximately \$219 and \$528 for the six months ended September 30, 2007 and 2006.

As of September 30, 2007, total unrecognized compensation cost related to stock options was approximately \$424 and the related weighted-average period over which it is expected to be recognized is approximately 1.98 years.

The following table summarizes the option activity within the Company's stock-based compensation plans for the six months ended September 30, 2007:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2007	679,830	\$ 15.92		
Granted	15,000	35.99		
Exercised	(42,000)	13.76		
Canceled or forfeited	-	-		
Outstanding at September 30, 2007	<u>652,830</u>	<u>\$ 16.52</u>	<u>3.64</u>	<u>\$ 11,091</u>
Exercisable at September 30, 2007	<u>597,955</u>	<u>\$ 15.20</u>	<u>3.50</u>	<u>\$ 10,940</u>

The weighted-average estimated fair value of employee stock options granted during the three months ended September 30, 2007 and 2006 were \$11.22 and \$10.43, respectively. The total intrinsic value of options exercised during the three months ended September 30, 2007 was approximately \$65. No options were exercised during the three months ended September 30, 2006.

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 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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Volatility	32.3%	34.3%	32.7%	33.8%
Risk-free interest rate	4.3%	4.6%	4.6%	4.7%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected option life in years	4.25	4.25	4.50	4.25

The Company estimates the expected term of options granted by using the simplified method as prescribed by SAB 107. The Company estimates the expected volatility of its common stock taking into consideration its historical stock price movement, the volatility of stock prices of companies of similar size with similar businesses to it 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 share-based compensation expense using the straight-line attribution method.

Restricted stock awards are valued at the closing market value of the Company's common stock on the date of grant, and the total value of the award is expensed ratably over the service period of the employees receiving the grants. A summary of restricted stock activity within the Company's share-based compensation plans and changes for the six months ended September 30, 2007 is as follows:

	<u>Shares</u>	<u>Grant-Date Fair Value</u>
Nonvested at March 31, 2007	923	\$ 32.49
Granted	2,104	38.02
Vested	(185)	32.49
Forfeited	<u>(1,318)</u>	<u>37.95</u>
Nonvested at September 30, 2007	<u>1,524</u>	<u>\$ 35.41</u>

6. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period increased by the weighted-average number of dilutive common stock equivalents outstanding during the period, using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income	<u>\$ 1,909</u>	<u>\$ 3,217</u>	<u>\$ 3,644</u>	<u>\$ 7,551</u>
Weighted average shares outstanding:				
Basic	6,423,387	6,358,980	6,411,961	6,357,399
Common stock equivalents - treasury stock method	<u>236,855</u>	<u>243,311</u>	<u>244,174</u>	<u>266,320</u>
Diluted	<u>6,660,242</u>	<u>6,602,291</u>	<u>6,656,135</u>	<u>6,623,719</u>
Net income per share:				
Basic	<u>\$ 0.30</u>	<u>\$ 0.51</u>	<u>\$ 0.57</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.49</u>	<u>\$ 0.55</u>	<u>\$ 1.14</u>

There were 3,633 and 1,899 anti-dilutive common stock equivalents excluded from the computation of diluted earnings per share for the three and six months ended September 30, 2007, respectively. Anti-dilutive common stock equivalents excluded from the computation of diluted earnings per share for the three and six months ended September 30, 2006 were 3,986 and 952, respectively.

7. Discontinued Operations

The Company has plans to dispose of certain of its retail sales centers and these operations are considered discontinued retail operations. Included in the accompanying Consolidated Balance Sheet are finished goods inventories to be liquidated in conjunction with the disposal of these retail sales centers of approximately \$508 at September 30, 2007. There were no operating losses for the three and six months ended September 30, 2007 or 2006 for the stores identified for disposal as the costs related to the liquidation of inventory were consistent with our expectations of net realizable values. Net sales for the retail sales centers to be disposed of approximated \$1,048 and \$1,637 for the three month periods ended September 30, 2007 and 2006, respectively, and \$1,903 and \$3,069 for the six month periods ended September 30, 2007 and 2006, respectively.

8. Business Segment Information

The Company operates in two business segments — Manufacturing and Retail. Through its Manufacturing segment, the Company designs and manufactures homes which are sold primarily in the southwestern United States to a network of dealers which includes Company-owned retail locations comprising the Retail segment. The Company's Retail segment derives its revenues from home sales to individuals. The accounting policies of the segments are the same as those described in the Form 10-K. Retail segment results include retail profits from the sale of homes to consumers but do not include any manufacturing segment profits associated with the homes sold. Intercompany transactions between reportable operating segments are eliminated in consolidation. Substantially all depreciation and capital expenditures are related to the Manufacturing segment. Each segment's results include corporate office costs that are directly and exclusively incurred for the segment. The following table summarizes information with respect to the Company's business segments for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Net sales				
Manufacturing	\$ 35,130	\$ 41,376	\$ 71,368	\$ 92,944
Retail	4,414	3,477	7,024	7,796
Less: Intercompany	(1,109)	(1,790)	(2,591)	(3,627)
Total consolidated net sales	<u>\$ 38,435</u>	<u>\$ 43,063</u>	<u>\$ 75,801</u>	<u>\$ 97,113</u>
Income from operations				
Manufacturing	\$ 2,924	\$ 5,534	\$ 5,900	\$ 12,982
Retail	120	60	106	126
Intercompany profit in inventory	93	25	171	140
General corporate charges	(1,144)	(1,288)	(2,318)	(2,719)
Total consolidated income from operations	<u>\$ 1,993</u>	<u>\$ 4,331</u>	<u>\$ 3,859</u>	<u>\$ 10,529</u>
			As of	
			September 30, 2007	March 31, 2007
Total assets				
Manufacturing			\$ 99,629	\$ 99,833
Retail			3,091	4,424
Corporate			75,402	67,880
Total consolidated assets			<u>\$ 178,122</u>	<u>\$ 172,137</u>

Total Corporate assets are comprised primarily of cash and cash equivalents, short-term investments and deferred taxes.

Item 2. 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 Item 1 of this Report. References to "Note" or "Notes" refer to the Notes to the Company's Consolidated Financial Statements that appear in Item 1 of this Report.

Overview

We are the largest producer of manufactured homes in Arizona and the 8th largest producer of HUD code manufactured homes in the United States, based on 2006 total home production data published by Manufactured Home Merchandiser magazine. The Company is also a leading producer of park model homes and vacation cabins in the United States.

Headquartered in Phoenix, Arizona, the Company designs and produces factory-built homes which are sold to a network of retailers located primarily in the southwestern United States. As of September 30, 2007, the Company operated three homebuilding facilities located in Arizona and one manufacturing facility in Texas. The retail segment of the Company operates seven retail sales locations in Arizona, New Mexico and Texas which offer homes produced by the Company and other manufacturers to retail customers.

Industry and Company Outlook

The manufactured housing industry continues to operate at historically low production and shipment levels. The availability of consumer financing for the retail purchase of manufactured homes and inventory financing for the wholesale distribution chain remains a key issue to be resolved before marked emergence from the current lows can occur. Progress has also been impeded by several industry economic challenges including increased land costs, reported turmoil in the mortgage loan markets and overall housing sector weakness.

Cavco benefited from robust regional activity in 2005 and during the first half of 2006. In particular, the Company's wholesale sales in California increased appreciably during that time. Cavco's results were relatively strong through the first half of 2006, but have declined since that time. While we have been successful in maintaining market share in our core region, the market itself is depressed, with manufactured home shipments for the first nine months of the current calendar year down 22% nationally and 42% and 43% in Arizona and California, respectively. We have aggressively managed our production levels and labored diligently throughout this difficult period to produce positive financial results.

While we cannot determine the particular causes of the slowdown in Cavco's orders, we can identify market shifts that may have contributed to the decline and that also may be affecting our competitors who are generally reporting reduced sales activity as well. The dramatic slowdown in the market for site-built housing could be negatively impacting the manufactured housing industry. The slowdown of the resale market for site-built homes has had an adverse impact on the contingency contract process, wherein manufactured homebuyers must sell their site-built home in order to facilitate the purchase of a new manufactured home. Many on-site home builders with high inventory levels are offering attractive incentives to homebuyers, which may create added competition for the manufactured housing industry. In addition, site-built home repossessions are reported to be on the rise, which could also provide increased competition for manufactured housing.

Site-built lenders have generally tightened their credit requirements, specifically in the sub-prime and alt-A (no documentation loans) lending markets. Further tightening of underwriting standards in the sub-prime and alt-A lending markets could benefit our industry if it has the effect of shifting homebuyers to the generally more affordably priced manufactured housing market. However, we have experienced no discernable benefit from any changes that may have occurred in underwriting standards.

During fiscal year 2007, we expanded our operations into other geographic markets by opening a plant in Seguin, Texas. This factory builds a variety of products designed specifically for the Texas and surrounding marketplace. While the factory-built housing market in Texas has been depressed for several years as well, we

believe it is prudent for Cavco to establish a position in this area, as it has historically been a large market for manufactured housing. Our efforts in Texas are beginning to gain some traction, as there has been a slight increase in Texas shipments during the current fiscal year. To date, the start-up of the Texas plant has negatively affected the Company's overall gross profit and detracted from the bottom line; however, when production volume and efficiencies improve, we believe this factory will become a long-term contributor to the Company.

Company-wide, our products are diverse and tailored to the needs and desires of our customers. 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 to be located.

In the face of the weak housing environment, we remain optimistic about our long term prospects as we believe that we are located in attractive geographic markets, we have an excellent and diverse line of products, and we maintain a conservative cost structure which enables us to build great value into our homes. As the housing sector's climate and circumstances evolve, we will remain focused on our core competencies of responding quickly to developments in market demand, the production of high quality homes, and following through with exceptional service.

Results of Operations - (Dollars in thousands)

Three and six months ended September 30, 2007 compared to 2006

Net Sales. Total net sales decreased 10.7% to \$38,435 for the three months ended September 30, 2007 compared to \$43,063 for the comparable quarter last year. For the six months ended September 30, 2007, net sales decreased 21.9% to \$75,801 compared to \$97,113 for the same period last year.

Manufacturing net sales decreased 15.1% to \$35,130 for the three months ended September 30, 2007 from \$41,376 for the same period last year and decreased 23.2% to \$71,368 for the six month period ended September 30, 2007 from \$92,944 for the same period last year. The decrease in net sales during the current quarter was driven by lower incoming order rates, resulting in a reduced number of total homes sold, comprised of 823 wholesale shipments in the second quarter of fiscal 2008 versus 905 in the same period last year. A greater proportion of homes sold during the current quarter were park models, single-section homes and lower price point products, causing a 6.6% reduction in the average selling price per home, which was \$42,685 versus \$45,719 for last year's second quarter. The decrease in sales for the six months ended September 30, 2007 was driven by a 10.0% decrease in the average selling price per home to \$42,506 as compared to \$47,228 for the same period last year and a reduction in the total number of homes sold during the period of 1,679 versus 1,968 last year.

Retail net sales increased \$937 to \$4,414 for the three months ended September 30, 2007 from \$3,477 for the same quarter last year and decreased \$772 to \$7,024 for the six months ended September 30, 2007 compared to \$7,796 last year. This increase in retail sales for the current quarter was the result of a 103.0% increase in the overall number of homes sold, which increase was driven by the delivery of homes under a non-recurring government contract. The decrease in retail net sales for the six month period was the result of lower average selling prices, partially offset by an increase in the overall number of homes sold.

Net Income. Net income decreased 40.7% to \$1,909 for the three months ended September 30, 2007 compared to \$3,217 for the comparable quarter last year. For the six months ended September 30, 2007, net income decreased 51.7% to \$3,644 compared to \$7,551 for the same period last year.

Gross Profit. Gross profit as a percent of sales decreased to 14.4% for the three months ended September 30, 2007 from 18.7% for the same period last year and decreased to 14.5% for the six months ended September 30, 2006 from 19.2% last year. The gross profit percentage has been challenged by lower production volume, a less favorable product mix, and low margin results from the new Texas plant.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 4.4% or \$163, to \$3,555 or 9.2% of net sales, for the three months ended September 30, 2007 versus \$3,718 or 8.6% of net sales, for the same period last year. For the six month period ended September 30, 2007, selling, general and administrative expenses decreased 12.4% or \$1,010 to \$7,129 from \$8,139 last year. The decrease was primarily the result of reduced costs associated with compensation programs tied to profitability and a decrease in costs influenced by lower sales volume.

Interest Income. Interest income represents income earned on short-term investments and unrestricted cash and cash equivalents. For a portion of the Company's short-term investments, interest income is earned on a tax-free basis. Our interest income increased 16.0% to \$718 for the three months ended September 30, 2007 as compared to \$619 during the prior year period. For the six month period ended September 30, 2007, interest income increased 16.4% to \$1,389 from \$1,193 last year. The increase resulted mainly from the Company's larger balance of investable funds.

Income Taxes. The effective income tax rate was approximately 30% and 35% for the three month periods ended September 30, 2007 and 2006, respectively. For the six month periods ended September 30, 2007 and 2006, the effective income tax rate was approximately 31% and 36%, respectively. The lower income tax rate reflects the effects of a larger proportion of tax-free interest income noted above, certain state income tax credits and deductions provided in the American Jobs Creation Act.

Discontinued Retail Operations. The Company has plans to dispose of certain of its retail sales centers and these operations are considered discontinued retail operations (see Note 7).

Liquidity and Capital Resources

We believe that cash, cash equivalents and short-term investments on hand at September 30, 2007, together with cash flow from operations, will be sufficient to fund our operations and provide for growth for the next twelve months and into the foreseeable future. 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 operations in the coming year is largely dependent on sales volume. Operating activities provided \$7,049 of cash during the six months ended September 30, 2007 as compared to \$3,732 during the same period last year. Cash generated by operating activities for the current period was mainly derived from operating income before non-cash charges and lower inventory balances influenced by lower sales volume. Cash generated by operating activities in the prior period was primarily derived from operating income before non-cash charges and the timing of collection of accounts receivable balances partially offset by higher inventories necessary to ensure the availability of raw materials and a reduction in the Company's accounts payable and accrued liabilities balances.

Investing activities required the use of \$14,276 of cash during the six months ended September 30, 2007 compared to the use of \$7,714 of cash during the same period last year. For the six months ended September 30, 2007, cash was primarily used to make net purchases of \$13,775 of short-term investments as well as for modest Texas plant expansion costs and normal recurring capital expenditures in all of our factories. During the six months ended September 30, 2006, cash was primarily used to make net purchases of \$7,000 of short-term investments, combined with plant and equipment purchases.

Financing activities provided \$891 and \$148 in cash during the six months ended September 30, 2007 and 2006, respectively, resulting from proceeds associated with the issuance of common stock and related incremental tax benefits upon exercise of stock options under our stock incentive plans.

Critical Accounting Policies

In Part II, Item 7 of our Form 10-K, under the heading "Critical Accounting Policies", we have provided a discussion of the critical accounting policies that management believes affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements. Additionally, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* effective April 1, 2007, as discussed in Note 1.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (“SFAS 157”), which clarifies that the term fair value is intended to mean a market-based measure, not an entity-specific measure and gives the highest priority to quoted prices in active markets in determining fair value. SFAS 157 requires disclosures about (1) the extent to which companies measure assets and liabilities at fair value, (2) the methods and assumptions used to measure fair value, and (3) the effect of fair value measures on earnings. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact, if any, SFAS 157 will have on our financial position and results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115*, (“SFAS 159”) which permits an entity to choose to irrevocably elect fair value on a contract-by-contract basis as the initial and subsequent measurement attribute for many financial assets and liabilities and certain other items including insurance contracts. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront cost and fees associated with the item for which the fair value option is elected. The provisions of SFAS 159 are effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. Management is currently evaluating the impact, if any, SFAS 159 will have on our consolidated financial position, results of operations and cash flows.

From time to time, new accounting pronouncements are issued by the FASB 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.

Forward-looking Statements

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. In addition to the Risk Factors described in Part I, Item 1A, *Risk Factors* in our Form 10-K, factors that could affect our results and cause them to materially differ from those contained in the forward-looking statements include, but are not limited to:

- We have incurred net losses in certain prior periods and there can be no assurance that we will generate income in the future;
- We operate in an industry that is currently experiencing a prolonged and significant downturn;
- Housing demand and geographic concentration;
- A write-off of all or part of our goodwill could adversely affect our operating results and net worth;
- The cyclical and seasonal nature of the manufactured housing industry causes our revenues and operating results to fluctuate, and we expect this cyclical and seasonality to continue in the future;
- Our liquidity and ability to raise capital may be limited;
- Tightened credit standards and curtailed lending activity by home-only lenders have contributed to a constrained consumer financing market;
- The availability of wholesale financing for industry retailers is limited due to a reduced number of floor plan lenders and reduced lending limits;
- We have contingent repurchase obligations related to wholesale financing provided to industry retailers;
- The manufactured housing industry is highly competitive, and competition may increase the adverse effects of industry conditions;

- If we are unable to establish or maintain relationships with independent retailers who sell our homes, our sales could decline;
- Our results of operations can be adversely affected by labor shortages and the pricing and availability of raw materials;
- If the manufactured housing industry is not able to secure favorable local zoning ordinances, our sales could decline and our business 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 may be required to satisfy certain indemnification obligations to Centex Corporation, our predecessor, or may not be able to collect on indemnification rights from Centex;
- We could be responsible for certain tax liabilities if the Internal Revenue Service challenges the tax-free nature of the share distribution that resulted in us becoming an independent company;
- Certain provisions of our organizational documents could delay or make more difficult a change in control of our company; and
- Volatility of stock price.

We may make additional written or oral forward-looking statements from time to time in filings with the SEC or in public news releases or statements. Such additional statements may include, but are not limited to, projections of revenues, income or loss, capital expenditures, acquisitions, plans for future operations, financing needs or plans, the impact of inflation and plans relating to our products or services, as well as assumptions relating to the foregoing.

Statements in this Report on Form 10-Q, including those set forth in this section, may be considered “forward looking statements” within the meaning of Section 21E of the Securities Act of 1934. These forward-looking statements are often identified by words such as “estimate,” “predict,” “hope,” “may,” “believe,” “anticipate,” “plan,” “expect,” “require,” “intend,” “assume,” and similar words.

Forward-looking statements contained in this Report on Form 10-Q speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We do not intend to publicly update or revise any forward-looking statement contained in this Report on Form 10-Q or in any document incorporated herein by reference to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Item 3. 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. We are not currently a party to any market risk sensitive instruments that could be reasonably expected to have a material effect on our financial condition or results of operations.

The Company maintains short-term investments. Short-term investments are comprised of auction rate certificates which are adjustable-rate securities with dividend rates that are reset by bidders through periodic “Dutch auctions” generally conducted every 7 to 35 days by a broker/dealer on behalf of the issuer. The Company believes these securities are highly liquid investments through the related auctions; however, the collateralizing securities have stated terms of up to thirty (30) years. The investment instruments are rated AAA by Standard & Poor’s Ratings Group, or equivalent. The Company’s investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, and delivers an appropriate yield in relationship to the Company’s investment guidelines and market conditions. Given the short-term nature of these investments, and that we have no borrowings outstanding, we do not believe that we are subject to significant interest rate risk.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

The term “disclosure controls and procedures” means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to a member of company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, 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 Exchange Act Rule 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 by this Quarterly Report on 10-Q, our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

(b) Changes In Internal Control Over Financial Reporting

The term “internal control over financial reporting” (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No change in the Company’s internal control over financial reporting occurred during the fiscal quarter ended September 30, 2007 that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding reportable legal proceedings is contained in Part I, Item 3, *Legal Proceedings*, in our Form 10-K. The following describes legal proceedings, if any, that became reportable during the quarter ended September 30, 2007, and, if applicable, amends and restates descriptions of previously reported legal proceedings in which there have been material developments during such quarter.

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 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 our consolidated financial position, liquidity or results of operations in any future reporting periods.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, Item 1A, *Risk Factors*, in our Form 10-K, which could materially affect our business, financial condition or future results. The risks described in this Report and in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6: Exhibits

See Exhibit Index.

All other items required under Part II are omitted because they are not applicable.

SIGNATURES

Pursuant to the requirements 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.

Registrant

November 8, 2007

/s/ Joseph H. Stegmayer

Joseph H. Stegmayer – Chairman,
President and
Chief Executive Officer
(Principal Executive Officer)

November 8, 2007

/s/ Daniel L. Urness

Daniel L. Urness
Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
3.1(1)	Restated Certificate of Incorporation
3.2(2)	Certificate of Amendment of Restated Certificate of Incorporation
3.3(3)	Amended and Restated Bylaws
31.1*	Certification of the Principal Executive Officer Pursuant to Rule 13-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13-14(a) under the Securities Exchange Act of 1934
32**	Certification of the 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

(1) Incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K for the fiscal year ended March 31, 2004

(2) Incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006

(3) Incorporated by reference to Exhibit 3.2 of the Annual Report on Form 10-K for the fiscal year ended March 31, 2004

* Filed herewith

** Furnished herewith

Exhibit 31.1

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph H. Stegmayer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cavco Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2007

By: /s/ Joseph H. Stegmayer
Joseph H. Stegmayer
Chief Executive Officer

Exhibit 31.2

Certification of Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel L. Urness, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cavco Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2007

By: /s/ Daniel L. Urness
Daniel L. Urness
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Cavco Industries, Inc. (the "Registrant") on Form 10-Q for the period ending September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joseph H. Stegmayer and Daniel L. Urness, Chief Executive Officer and Chief Financial Officer, respectively, of the Registrant, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

November 8, 2007

/s/ Joseph H. Stegmayer
Joseph H. Stegmayer
President and Chief Executive Officer

/s/ Daniel L. Urness
Daniel L. Urness
Vice President and Chief Financial Officer

End of Filing