

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

\_\_\_\_\_, Individually and On Behalf  
of All Others Similarly Situated,  
  
Plaintiff,  
  
v.  
  
CAVCO INDUSTRIES, INC., JOSEPH  
H. STEGMAYER, and DANIEL L.  
URNES,  
  
Defendants.

**Case No:**  
  
**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**  
  
**JURY TRIAL DEMANDED**

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Cavco Industries, Inc. (“Cavco” or the

1 “Company”), analysts’ reports and advisories about the Company, and information  
2 readily obtainable on the Internet. Plaintiff believes that substantial evidentiary  
3 support will exist for the allegations set forth herein after a reasonable opportunity for  
4 discovery.

### 5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting of  
7 all persons and entities other than Defendants who purchased or otherwise acquired  
8 the publicly traded securities of Cavco between September 20, 2017 and September  
9 2, 2021, both dates inclusive (the “Class Period”). Plaintiff seeks to recover  
10 compensable damages caused by Defendants’ violations of the federal securities laws  
11 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange  
12 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.  
13

### 14 **JURISDICTION AND VENUE**

15 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)  
16 of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated  
17 thereunder by the SEC (17 C.F.R. §240.10b-5).

18 3. This Court has jurisdiction over the subject matter of this action under  
19 28 U.S.C. §1331 and §27 of the Exchange Act.

20 4. Venue is proper in this District pursuant to §27 of the Exchange Act (15  
21 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Cavco conducts business in this District  
22 and the alleged misstatements entered and subsequent damages took place within this  
23 District.

24 5. In connection with the acts, conduct and other wrongs alleged in this  
25 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of  
26 interstate commerce, including but not limited to, the United States mail, interstate  
27 telephone communications and the facilities of the national securities exchange.  
28

1 **PARTIES**

2 6. Plaintiff, as set forth in the accompanying certification, incorporated by  
3 reference herein, purchased Cavco common stock during the Class Period, and  
4 suffered damages as a result of the federal securities law violations and false and/or  
5 misleading statements and/or material omissions alleged herein.

6 7. Defendant Cavco is a Delaware corporation headquartered in Phoenix,  
7 Arizona that purports to design, produce, and retail manufactured homes, primarily in  
8 the United States. The Company has business operations in California, including  
9 within this District. The Company’s stock traded on the NASDAQ under the ticker  
10 symbol “CVCO.”

11 8. Defendant Joseph H. Stegmayer (“Stegmayer”) served as the Company’s  
12 Chairman, President, and Chief Executive Officer (“CEO”) from June 2003 until his  
13 resignation in November 2018.

14 9. Defendant Daniel L. Urness (“Urness”) served as the Company’s Chief  
15 Financial Officer (“CFO”) from January 2006 until August 2018, and its Executive  
16 Vice President from April 2015 until August 2018. Urness assumed the role of CEO  
17 as of November 8, 2018.

18 10. Defendants Stegmayer and Urness are collectively referred to hereinafter  
19 as the “Individual Defendants.”

20 11. Each of the Individual Defendants:

- 21 (a) directly participated in the management of the Company;
- 22 (b) was directly involved in the day-to-day operations of the Company at the  
23 highest levels;
- 24 (c) was privy to confidential proprietary information concerning the  
25 Company and its business and operations;
- 26
- 27
- 28

- 1 (d) was directly or indirectly involved in drafting, producing, reviewing  
2 and/or disseminating the false and misleading statements and information  
3 alleged herein;
- 4 (e) was directly or indirectly involved in the oversight or implementation of  
5 the Company's internal controls;
- 6 (f) was aware of or recklessly disregarded the fact that the false and  
7 misleading statements were being issued concerning the Company; and/or  
8
- 9 (g) approved or ratified these statements in violation of the federal securities  
10 laws.

11 12. The Company is liable for the acts of the Individual Defendants and its  
12 employees under the doctrine of *respondeat superior* and common law principles of  
13 agency because all of the wrongful acts complained of herein were carried out within  
14 the scope of their employment.

15 13. The scienter of the Individual Defendants and other employees and  
16 agents of the Company is similarly imputed to the Company under *respondeat*  
17 *superior* and agency principles.

18 14. The Company and the Individual Defendants are referred to herein,  
19 collectively, as the "Defendants."

20 **SUBSTANTIVE ALLEGATIONS**

21 **Background**

22 15. In August 2017, Cavco began merger discussions with one of its  
23 competitors, Skyline, after signing a non-disclosure agreement ("NDA").

24 16. In the course of its merger discussions with Skyline, Cavco, through its  
25 CEO Stegmayer and CFO Urness, received material, non-public information  
26 concerning Skyline from Skyline and Skyline's investment bankers  
27

28

1 17. As CEO of Cavco, Stegmayer was authorized to place trades on Cavco's  
2 behalf. At the time of the Cavco's purchases of shares of Skyline in 2017, Stegmayer  
3 was the only person who had the ability to place trades in Cavco's brokerage  
4 accounts.

5 18. In the evening on September 19, 2017, Stegmayer and Urness called  
6 Skyline's investment bank and expressed interest in acquiring Skyline at a price of  
7 \$13.50 per share.

8 19. On September 20, 2017, Stegmayer caused Cavco to buy 2,750 Skyline  
9 shares at a cost of approximately \$31,186, or approximately \$11.34 per share.

10 20. Between September 20, 2017 and October 31, 2017, Cavco purchased  
11 34,730 shares of Skyline at a cost of just under \$400,000 after signing the NDA with  
12 Skyline. Cavco paid around \$11 per share on these trades.

13 21. Cavco's 2017 purchases of Skyline shares were not reported to Cavco's  
14 board of directors in advance of trading. Cavco's 2017 purchases of Skyline shares  
15 were not reported to Cavco's board of directors until October 2018, after the SEC  
16 served a subpoena on Cavco for information related to this trading.

17  
18 **Materially False and Misleading**  
19 **Statements Issued During the Class Period**

20 22. On November 8, 2017, the Company filed a quarterly report with the  
21 SEC on Form 10-Q for the quarter ended September 30, 2017 (the "2Q 2017 10-Q").  
22 The 2Q 2017 10-Q contained certifications pursuant to the Sarbanes-Oxley Act of  
23 2002 ("SOX") signed by Defendants Stegmayer and Urness attesting to the accuracy  
24 of financial reporting, the disclosure of any material changes to the Company's  
25 internal controls over financial reporting, and the disclosure of all fraud.

26 23. On May 30, 2018, the Company filed its annual report with the SEC on  
27 Form 10-K for the fiscal year ended March 31, 2018 (the "2017 10-K"), which  
28 provided the Company's annual financial results and position. The 2017 10-K was

1 signed by Defendants Stegmayer and Urness. The 2017 10-K also contained SOX  
2 certifications signed by Defendants Stegmayer and Urness attesting to the accuracy of  
3 financial reporting, the disclosure of any material changes to the Company’s internal  
4 controls over financial reporting, and the disclosure of all fraud. The 2017 10-K  
5 stated that the Company’s internal control over financial reporting was effective as of  
6 the period of reporting.

7 24. In the 2017 10-K, the Company stated it “has a Code of Ethics that  
8 applies to all directors, officers and employees of the Company . . . [a] copy [of  
9 which] is located on the Company’s website at [www.cavco.com](http://www.cavco.com)[.]”

10 25. The Company’s Code of Ethics, described on its website as its “Code of  
11 Conduct,” was effective as of November 1, 2014. The Code of Conduct states the  
12 following concerning the Company’s adherence to the law and policy as to insider  
13 trading:

14 We conduct our business in accordance with both the letter and the  
15 spirit of all applicable law - in the center of the field of ethical  
16 behavior, not along the sidelines or skirting the boundaries.

17 Company and SEC policies forbid insider trading by any employee.  
18 Insider trading is a serious crime. The offense occurs when a person  
19 buys or sells securities of a company, including Cavco, while in  
20 possession of material, non-public information about that company or  
21 when an employee “tips” or discloses to someone else material, non-  
22 public information about that company. The Company and its  
23 employees share an interest in avoiding an insider trading  
24 investigation. An investigation can tarnish the Company’s reputation  
25 and may subject the individuals and the Company to penalties,  
26 therefore it is clearly understood that insider trading is strictly  
27 prohibited. Additionally, directors, officers, designated members of  
28 the corporate administrative group and certain other persons are  
subject to blackout periods related to the public release by the  
Company of quarterly and year-end earnings.

26. The statements contained in ¶¶22-25 were materially false and/or  
misleading because they misrepresented and failed to disclose the following adverse

1 facts pertaining to the Company's business, operational and financial results, which  
2 were known to Defendants or recklessly disregarded by them. Specifically,  
3 Defendants made false and/or misleading statements and/or failed to disclose that: (1)  
4 Cavco's insider trading policies were ineffective; (2) as a result, Stegmayer's breach  
5 of those policies would subject Cavco to heightened regulatory scrutiny by the SEC,  
6 causing Cavco to pay millions of dollars in legal, insurance, and other expenses; (3)  
7 consequently, Defendants' public statements were materially false and misleading at  
8 all relevant times.

9       27. On November 8, 2018, after the market closed, the Company reported in  
10 a Form 10-Q it filed with the SEC for the period ending September 29, 2018 that it  
11 believed its recently-departed CEO, Stegmayer, "traded in certain publicly traded  
12 stock in his personal accounts as well as in accounts held by the Company at a time  
13 when the Company had agreed to refrain from such trading." The Company reported  
14 that the SEC had issued it subpoenas, and also to Stegmayer, relating to the trading in  
15 stock of another public company. The Company's disclosure stated, in relevant part:

16       *Legal Matters.* On August 20, 2018, the Company received a  
17 subpoena from the SEC's Division of Enforcement requesting certain  
18 documents relating to, among other items, trading in the stock of  
19 another public company. On October 1, 2018, the SEC sent a  
20 subpoena for documents and testimony to Joseph Stegmayer, the  
21 Company's former Chairman, President and Chief Executive Officer,  
22 regarding similar issues. At this time, the Company believes that Mr.  
23 Stegmayer traded in certain publicly traded stock in his personal  
24 accounts as well as in accounts held by the Company at a time when  
the Company had agreed to refrain from such trading. The Company  
has initiated an independent investigation and intends to cooperate  
fully with the SEC's investigation.

25       28. On this news, shares of Cavco fell \$49.48 per share or over 23% to close  
26 at \$165.20 per share on November 9, 2018.

27       29. Then, on February 4, 2019, the Company provided a corporate update  
28 regarding the previously-disclosed SEC investigation, now disclosing that the SEC

1 had requested additional documents from the Company on the same matter on  
2 November 9, 2018. The Company also disclosed spending, and expecting to spend,  
3 millions of dollars on legal and insurance expenses in relation to the SEC’s  
4 subpoenas and the Company’s independent investigation into the matter.

5 30. On this news, shares of Cavco fell \$26.92 per share or about 16.7% to  
6 close at \$134.37 per share on February 5, 2019.

7 31. On September 2, 2021, the SEC filed a complaint (“SEC Complaint”) in  
8 the United States District Court for the District of Arizona. The SEC Complaint,  
9 following years of investigation, alleged Cavco engaged in insider trading. The SEC  
10 Complaint contained facts and details that Plaintiff and other members of the class  
11 otherwise had no way of discovering. The SEC Complaint stated, in pertinent part,  
12 the following:

13 *“Cavco had an investment policy that, among other things, required*  
14 *disclosure to its board of directors in advance of stock trading, and an*  
15 *insider trading policy that prohibited trading while in possession of*  
16 *material non-public information about the company whose shares*  
17 *were being traded. These policies applied to Cavco’s trading in shares*  
18 *of Skyline. However, these controls were inadequate, and Cavco’s*  
19 *trading in stocks of companies with which it was in merger talks was not*  
20 *limited to its purchases of Skyline shares. Cavco failed to devise and*  
21 *maintain a system of internal accounting controls sufficient to provide*  
22 *reasonable assurance that transactions would be executed in*  
23 *accordance with management’s general or specific authorization,*  
24 *including its board’s authorization, corporate investment policy, and*  
25 *securities trading policy. Cavco also failed to devise and maintain a*  
26 *system of internal accounting controls sufficient to provide reasonable*  
*assurance that access to assets would be permitted only in accordance*  
*with management’s general or specific authorization. Stegmayer was*  
*aware of these policies, and he circumvented these inadequate controls*  
*by placing trades on behalf of Cavco in violation of the policies.*

27 *Daniel Urness (“Urness”), Cavco’s former chief financial officer*  
28 *(“CFO”) and chief compliance officer, was entrusted by Cavco’s board*  
*to review and approve any exceptions to the investment policy. Instead*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

*of fulfilling that duty, Urness circumvented the investment policy by setting up a system to fund the trades without informing the board or ensuring the trades complied with Cavco’s policies. Stegmayer and Urness also knowingly misled Cavco’s auditor with respect to the Skyline trading and an ongoing regulatory investigation by the Financial Industry Regulatory Authority (“FINRA”) into those trades.*

Additionally, *after Cavco received an SEC subpoena concerning the Skyline trading, Stegmayer sold over 11,000 Cavco shares that he personally owned.* He made these trades on the basis of material, non-public information: that Cavco had engaged in illegal Skyline trading and that FINRA and the SEC were investigating that trading. After news of the SEC investigation and the Skyline trading came out, Cavco’s share price decreased by 23%. By selling stock in advance of this negative news, Stegmayer avoided losses of over \$880,000.

\* \* \*

From March 2017 until October 2018, when the board first learned of the SEC’s investigation, Cavco traded in three other publicly traded companies in the manufactured home industry.

None of this trading was reported to Cavco’s board of directors in advance of the trading.”

(Emphasis added.)

32. On this news, shares of Cavco fell \$6.59 per share or about 2.5% to close at \$252.48 per share on September 3, 2021.

**PLAINTIFF’S CLASS ACTION ALLEGATIONS**

33. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the publicly traded securities of Cavco during the Class Period (the “Class”); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate

1 families and their legal representatives, heirs, successors or assigns and any entity in  
2 which Defendants have or had a controlling interest.

3 34. The members of the Class are so numerous that joinder of all members is  
4 impracticable. Throughout the Class Period, Cavco securities were actively traded on  
5 the NASDAQ. While the exact number of Class members is unknown to Plaintiff at  
6 this time and can be ascertained only through appropriate discovery, Plaintiff believes  
7 that there are hundreds or thousands of members in the proposed Class. Record  
8 owners and other members of the Class may be identified from records maintained by  
9 the Company or its transfer agent and may be notified of the pendency of this action  
10 by mail, using the form of notice similar to that customarily used in securities class  
11 actions.

12 35. Plaintiff's claims are typical of the claims of the members of the Class as  
13 all members of the Class are similarly affected by Defendants' wrongful conduct in  
14 violation of federal law that is complained of herein.

15 36. Plaintiff will fairly and adequately protect the interests of the members  
16 of the Class and has retained counsel competent and experienced in class and  
17 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those  
18 of the Class.

19 37. Common questions of law and fact exist as to all members of the Class  
20 and predominate over any questions solely affecting individual members of the Class.  
21 Among the questions of law and fact common to the Class are:

- 22 • whether the federal securities laws were violated by Defendants' acts as  
23 alleged herein;
- 24 • whether statements made by Defendants to the investing public during  
25 the Class Period misrepresented material facts about the financial condition,  
26 business, operations, and management of the Company;

- 1           • whether Defendants’ public statements to the investing public during the  
2 Class Period omitted material facts necessary to make the statements made, in  
3 light of the circumstances under which they were made, not misleading;  
4           • whether the Individual Defendants caused the Company to issue false  
5 and misleading SEC filings and public statements during the Class Period;  
6           • whether Defendants acted knowingly or recklessly in issuing false and  
7 misleading SEC filings and public statements during the Class Period;  
8           • whether the prices of Cavco securities during the Class Period were  
9 artificially inflated because of the Defendants’ conduct complained of herein;  
10 and  
11           • whether the members of the Class have sustained damages and, if so,  
12 what is the proper measure of damages.

13           38. A class action is superior to all other available methods for the fair and  
14 efficient adjudication of this controversy since joinder of all members is  
15 impracticable. Furthermore, as the damages suffered by individual Class members  
16 may be relatively small, the expense and burden of individual litigation make it  
17 impossible for members of the Class to individually redress the wrongs done to them.  
18 There will be no difficulty in the management of this action as a class action.

19           39. Plaintiff will rely, in part, upon the presumption of reliance established  
20 by the fraud-on-the-market doctrine in that:

- 21           • Defendants made public misrepresentations or failed to disclose material  
22 facts during the Class Period;  
23           • the omissions and misrepresentations were material;  
24           • Cavco securities are traded in efficient markets;  
25           • the Company’s securities were liquid and traded with moderate to heavy  
26 volume during the Class Period;  
27           • the Company traded on the NASDAQ, and was covered by multiple  
28 analysts;



- 1 • employed devices, schemes and artifices to defraud;
- 2 • made untrue statements of material facts or omitted to state material
- 3 facts necessary in order to make the statements made, in light of the
- 4 circumstances under which they were made, not misleading; or
- 5 • engaged in acts, practices and a course of business that operated as a
- 6 fraud or deceit upon plaintiff and others similarly situated in connection with
- 7 their purchases of Cavco securities during the Class Period.

8 46. The Company and the Individual Defendants acted with scienter in that  
9 they knew that the public documents and statements issued or disseminated in the  
10 name of the Company were materially false and misleading; knew that such  
11 statements or documents would be issued or disseminated to the investing public; and  
12 knowingly and substantially participated, or acquiesced in the issuance or  
13 dissemination of such statements or documents as primary violations of the securities  
14 laws. These defendants by virtue of their receipt of information reflecting the true  
15 facts of the Company, their control over, and/or receipt and/or modification of the  
16 Company's allegedly materially misleading statements, and/or their associations with  
17 the Company which made them privy to confidential proprietary information  
18 concerning the Company, participated in the fraudulent scheme alleged herein.

19 47. Individual Defendants, who are the senior officers and/or directors of the  
20 Company, had actual knowledge of the material omissions and/or the falsity of the  
21 material statements set forth above, and intended to deceive Plaintiff and the other  
22 members of the Class, or, in the alternative, acted with reckless disregard for the truth  
23 when they failed to ascertain and disclose the true facts in the statements made by  
24 them or other personnel of the Company to members of the investing public,  
25 including Plaintiff and the Class.

26 48. As a result of the foregoing, the market price of Cavco securities was  
27 artificially inflated during the Class Period. In ignorance of the falsity of the  
28 Company's and the Individual Defendants' statements, Plaintiff and the other

1 members of the Class relied on the statements described above and/or the integrity of  
2 the market price of Cavco securities during the Class Period in purchasing Cavco  
3 securities at prices that were artificially inflated as a result of the Company's and the  
4 Individual Defendants' false and misleading statements.

5 49. Had Plaintiff and the other members of the Class been aware that the  
6 market price of Cavco securities had been artificially and falsely inflated by the  
7 Company's and the Individual Defendants' misleading statements and by the material  
8 adverse information which the Company's and the Individual Defendants did not  
9 disclose, they would not have purchased Cavco securities at the artificially inflated  
10 prices that they did, or at all.

11 50. As a result of the wrongful conduct alleged herein, Plaintiff and other  
12 members of the Class have suffered damages in an amount to be established at trial.

13 51. By reason of the foregoing, the Company and the Individual Defendants  
14 have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder  
15 and are liable to the Plaintiff and the other members of the Class for substantial  
16 damages which they suffered in connection with their purchases of Cavco securities  
17 during the Class Period.

18 **COUNT II**  
19 **Violation of Section 20(a) of The Exchange Act**  
20 **Against The Individual Defendants**

21 52. Plaintiff repeats and realleges each and every allegation contained in the  
22 foregoing paragraphs as if fully set forth herein.

23 53. During the Class Period, the Individual Defendants participated in the  
24 operation and management of the Company, and conducted and participated, directly  
25 and indirectly, in the conduct of the Company's business affairs. Because of their  
26 senior positions, they knew the adverse non-public information regarding the  
27 Company's business practices.

28 54. As officers and/or directors of a publicly owned company, the Individual  
Defendants had a duty to disseminate accurate and truthful information with respect

1 to the Company’s financial condition and results of operations, and to correct  
2 promptly any public statements issued by the Company which had become materially  
3 false or misleading.

4 55. Because of their positions of control and authority as senior officers, the  
5 Individual Defendants were able to, and did, control the contents of the various  
6 reports, press releases and public filings which the Company disseminated in the  
7 marketplace during the Class Period. Throughout the Class Period, the Individual  
8 Defendants exercised their power and authority to cause the Company to engage in  
9 the wrongful acts complained of herein. The Individual Defendants therefore, were  
10 “controlling persons” of the Company within the meaning of Section 20(a) of the  
11 Exchange Act. In this capacity, they participated in the unlawful conduct alleged  
12 which artificially inflated the market price of Cavco securities.

13 56. Each of the Individual Defendants, therefore, acted as a controlling  
14 person of the Company. By reason of their senior management positions and/or being  
15 directors of the Company, each of the Individual Defendants had the power to direct  
16 the actions of, and exercised the same to cause, the Company to engage in the  
17 unlawful acts and conduct complained of herein. Each of the Individual Defendants  
18 exercised control over the general operations of the Company and possessed the  
19 power to control the specific activities which comprise the primary violations about  
20 which Plaintiff and the other members of the Class complain.

21 57. By reason of the above conduct, the Individual Defendants are liable  
22 pursuant to Section 20(a) of the Exchange Act for the violations committed by the  
23 Company.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

26 A. Determining that the instant action may be maintained as a class action  
27 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the  
28 Class representative;

1 B. Requiring Defendants to pay damages sustained by Plaintiff and the  
2 Class by reason of the acts and transactions alleged herein;

3 C. Awarding Plaintiff and the other members of the Class prejudgment and  
4 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and  
5 other costs; and

6 D. Awarding such other and further relief as this Court may deem just and  
7 proper.

8 **DEMAND FOR TRIAL BY JURY**

9 Plaintiff hereby demands a trial by jury.

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28