REFINITIV

DELTA REPORT

10-Q

CLFD - CLEARFIELD, INC.

10-Q - DECEMBER 31, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1025
CHANGES	221
DELETIONS	489
ADDITIONS	315

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024 December 31, 2024

☐ 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 0-16106

Clearfield, Inc. CLEARFIELD, INC.
(Exact name of Registrant registrant as specified in its charter)

Minnesota	41-1347235
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7050 Winnetka Avenue North Suite 100 Brooklyn Park, Minnesota	**55428**
(Address of principal executive office) offices)	(Zip Code)

(763) 476-6866
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	CLFD	The Nasdaq Stock Market

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ ☐	Accelerated filer ☐ ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding as of July 26, 2024 January 31, 2025
Common stock, par value $.01	14,237,943 14,131,537

CLEARFIELD, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2024 (Unaudited)	September 30, 2024
Assets		

Current Assets				
Cash and cash equivalents	$	30,453	$	16,167
Short-term investments		82,561		114,825
Accounts receivables, net		14,064		21,309
Inventories, net		59,224		66,766
Other current assets		11,609		10,528
Total current assets		197,911		229,595
Property, plant and equipment, net		23,717		23,953
Other Assets				
Long-term investments		41,916		24,505
Goodwill		6,493		6,627
Intangible assets, net		6,103		6,343
Right-of-use lease assets		18,276		15,797
Deferred tax asset		6,622		6,135
Other		2,192		2,320
Total other assets		81,602		61,727
Total Assets	$	303,230	$	315,275
Liabilities and Shareholders' Equity				
Current Liabilities				
Current portion of lease liability	$	3,651	$	3,357
Accounts payable		4,325		6,720
Accrued compensation		5,400		6,977
Accrued expenses		2,562		4,378
Factoring liability		2,790		2,920
Total current liabilities		18,728		24,352
Other Liabilities				
Long-term debt, net of current maturities		2,072		2,228
Long-term portion of lease liability		14,995		12,771
Deferred tax liability		-		161
Total liabilities		35,795		39,512

Shareholders’ Equity		
Preferred stock, $.01 par value; 500,000 shares; no shares issued or outstanding	-	-
Common stock, authorized 50,000,000, $.01 par value; 14,131,537 and 14,229,107 shares issued and outstanding as of December 31, 2024 and September 30, 2024, respectively	141	142
Additional paid-in capital	154,254	159,579
Accumulated other comprehensive (loss) income	(17)	1,079
Retained earnings	113,057	114,963
Total shareholders’ equity	267,435	275,763
Total Liabilities and Shareholders’ Equity	$ 303,230	$ 315,275

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2024 (Unaudited)	September 30, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 25,624	$ 37,827
Short-term investments	98,195	130,286
Accounts receivables, net	27,636	28,392
Inventories, net	74,869	98,055
Other current assets	9,878	1,695
Total current assets	236,202	296,255
Property, plant and equipment, net	21,487	21,527
Other Assets		
Long-term investments	24,180	6,343
Goodwill	6,553	6,528
Intangible assets, net	6,399	6,092

Right-of-use lease assets		15,938		13,861
Deferred tax asset		5,514		3,039
Other		1,822		1,872
Total other assets		60,406		37,735
Total Assets	$	318,095	$	355,517
Liabilities and Shareholders' Equity				
Current Liabilities				
Current portion of lease liability	$	3,225	$	3,737
Current maturities of long-term debt		-		2,112
Accounts payable		9,049		8,891
Accrued compensation		7,153		5,571
Accrued expenses		3,029		2,404
Factoring liability		5,714		6,289
Total current liabilities		28,170		29,004
Other Liabilities				
Long-term debt, net of current maturities		2,142		-
Long-term portion of lease liability		13,142		10,629
Deferred tax liability		67		721
Total liabilities		43,521		40,354
Shareholders' Equity				
Preferred stock, $.01 par value; 500,000 shares; no shares issued or outstanding		-		-
Common stock, authorized 50,000,000, $.01 par value; 14,238,693 and 15,254,725 shares issued and outstanding as of June 30, 2024 and September 30, 2023, respectively		142		153
Additional paid-in capital		158,627		188,218
Accumulated other comprehensive income (loss)		15		(544)
Retained earnings		115,790		127,336
Total shareholders' equity		274,574		315,163
Total Liabilities and Shareholders' Equity	$	318,095	$	355,517

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Net sales	$ 35,476	$ 34,230
Cost of sales	27,294	29,533
Gross profit	8,182	4,697
Operating expenses		
Selling, general and administrative	12,158	12,859
Loss from operations	(3,976)	(8,162)
Net investment income	1,744	2,069
Interest expense	(100)	(126)
Loss before income taxes	(2,332)	(6,219)
Income tax benefit	(426)	(951)
Net loss	$ (1,906)	$ (5,268)
Net loss per share Basic	$ (0.13)	$ (0.35)
Net loss per share Diluted	$ (0.13)	$ (0.35)
Weighted average shares outstanding:		
Basic	14,213,025	15,212,945
Diluted	14,213,025	15,212,945

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(UNAUDITED)

(IN THOUSANDS)	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Comprehensive (loss) income:		
Net loss	$ (1,906)	$ (5,268)
Other comprehensive (loss) income, net of tax		
Unrealized (loss) gain on available-for-sale investments	(125)	291
Unrealized (loss) gain on foreign currency translation	(971)	729
Total other comprehensive (loss) income	(1,096)	1,020
Total comprehensive loss	$ (3,002)	$ (4,248)

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS)

For three months ended December 31, 2024	Common Stock		Additional	Accumulated other comprehensive	Retained	Total share-
	Shares	Amount	paid-in capital	income (loss)	earnings	holders' equity
Balance as of September 30, 2024	14,229	$ 142	$ 159,579	$ 1,079	$ 114,963	$ 275,763
Stock based compensation expense	-	-	1,139	-	-	1,139
Issuance of common stock under employee stock purchase plan	11	-	301	-	-	301

Issuance of common stock under equity compensation plans, net	105	1	(1)	-	-	-
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(17)	-	(491)	-	-	(491)
Repurchase of common stock	(196)	(2)	(6,273)	-	-	(6,275)
Other comprehensive loss	-	-	-	(1,096)	-	(1,096)
Net loss	-	-	-	-	(1,906)	(1,906)
Balance at December 31, 2024	14,132	$ 141	$ 154,254	$ (17)	$ 113,057	$ 267,435

For three months ended December 31, 2023	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total share-holders' equity
	Shares	Amount				
Balance as of September 30, 2023	15,254	$ 153	$ 188,218	$ (544)	$ 127,336	$ 315,163
Stock-based compensation expense	-	-	1,271	-	-	1,271
Issuance of common stock under employee stock purchase plan	10	-	250	-	-	250
Issuance of common stock under equity compensation plans, net	120	-	-	-	-	-

Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(9)		-		(236)		-		-	(236)
Repurchase of common stock	(436)		(4)		(12,181)		-		-	(12,185)
Adoption of new accounting pronouncement	-		-		-		-		80	80
Other comprehensive income	-		-		-		1,020		-	1,020
Net loss	-		-		-		-		(5,268)	(5,268)
Balance at December 31, 2023	14,939	$	149	$	177,322	$	476	$	122,148	$ 300,095

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Cash flows from operating activities		
Net loss	$ (1,906)	$ (5,268)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,838	1,651
Amortization of discount on investments	(766)	(1,160)
Deferred taxes	(544)	(320)
Stock-based compensation	1,139	1,271
Changes in operating assets and liabilities, net of acquired amounts:		
Accounts receivable	6,873	11,750
Inventories, net	6,871	4,169
Other assets	(1,027)	815

Accounts payable and accrued expenses	(5,328)	(2,108)
Net cash provided by operating activities	7,150	10,800
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(2,069)	(2,412)
Purchases of investments	(39,015)	(47,748)
Proceeds from sales and maturities of investments	54,476	51,068
Net cash provided by investing activities	13,392	908
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	301	250
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(491)	(236)
Net borrowings and repayments of factoring liability	77	(2,972)
Repurchase of common stock	(6,275)	(12,184)
Net cash used in financing activities	(6,388)	(15,142)
Effect of exchange rates on cash	132	91
Increase (decrease) in cash and cash equivalents	14,286	(3,343)
Cash and cash equivalents, beginning of year	16,167	37,827
Cash and cash equivalents, end of year	$ 30,453	$ 34,484
Supplemental disclosures for cash flow information		
Cash paid during the year for income taxes	$ 405	$ 61
Cash paid for interest	$ 58	$ 86
Right of use assets obtained through lease liabilities	$ 3,663	$ -
Non-cash financing activities		
Cashless exercise of stock options	$ 9	$ -

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net sales	$ 48,793	$ 61,284	$ 119,933	$ 219,035
Cost of sales	38,101	42,210	101,712	145,750
Gross profit	10,692	19,074	18,221	73,285
Operating expenses				
Selling, general and administrative	12,998	13,449	38,430	37,714
(Loss) Income from operations	(2,306)	5,625	(20,209)	35,571
Net investment income	1,735	1,630	5,653	3,328
Interest expense	(153)	(195)	(381)	(551)
(Loss) Income before income taxes	(724)	7,060	(14,937)	38,348
Income tax (benefit) expense	(277)	1,842	(3,311)	8,511
Net (loss) income	$ (447)	$ 5,218	$ (11,626)	$ 29,837
Net (loss) income per share Basic	(0.04)	0.33	(0.79)	2.01
Net (loss) income per share Diluted	$ (0.04)	$ 0.33	$ (0.79)	$ 2.00
Weighted average shares outstanding:				
Basic	14,249,755	15,254,341	14,699,278	14,880,666
Diluted	14,249,755	15,254,341	14,699,278	14,929,405

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(UNAUDITED)

(IN THOUSANDS)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Comprehensive (loss) income:				
Net (loss) income	$ (447)	$ 5,218	$ (11,626)	$ 29,837
Other comprehensive (loss) income, net of tax				
Unrealized gain on available-for-sale investments	31	15	275	352
Unrealized (loss) gain on foreign currency translation	(146)	(49)	283	1,278
Total other comprehensive (loss) income	(115)	(34)	559	1,630
Total comprehensive (loss) income	$ (562)	$ 5,184	$ (11,067)	$ 31,467

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS)

For the three months ended June 30, 2024	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total share-holders' equity
Balance at March 31, 2024	14,410	$ 144	$ 162,697	$ 130	$ 116,237	$ 279,208
Stock-based compensation expense	-	-	1,152	-	-	1,152
Issuance of common stock under employee stock purchase plan	14	-	336	-	-	336
Repurchase of common stock	(185)	(2)	(5,558)	-	-	(5,560)
Other comprehensive loss	-	-	-	(115)	-	(115)
Net loss	-	-	-	-	(447)	(447)

Balance at June 30, 2024	14,239	$ 142	$ 158,627	$ 15	$ 115,790	$ 274,574

For the three months ended June 30, 2023	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total share-holders' equity
	Shares	Amount				
Balance at March 31, 2023	15,255	$ 153	$ 186,058	$ (234)	$ 119,422	$ 305,399
Stock-based compensation expense	-	-	1,059	-	-	1,059
Issuance of common stock under equity compensation plans, net	(1)	-	-	-	-	-
Exercise of stock options, net of shares exchanged for payment	1	-	(20)	-	-	(20)
Issuance of common stock under equity compensation plans, net	8	-	312	-	-	312
Other comprehensive loss	-	-	-	(34)	-	(34)
Net income	-	-	-	-	5,218	5,218
Balance at June 30, 2023	15,263	$ 153	$ 187,409	$ (268)	$ 124,640	$ 311,934

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS)

For the nine months ended June 30, 2024	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total share-holders' equity
	Shares	Amount				
Balance as of September 30, 2023	15,255	$ 153	$ 188,218	$ (544)	$ 127,336	$ 315,163

Stock-based compensation expense	-	-	3,436	-	-	3,436
Issuance of common stock under employee stock purchase plan	24	-	586	-	-	586
Issuance of common stock under equity compensation plans, net	133	1	(1)	-	-	-
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(9)	-	(240)	-	-	(240)
Exercise of stock options, net of shares exchanged for payment	1	-	(9)	-	-	(9)
Repurchase of common stock	(1,164)	(12)	(33,362)	-	-	(33,374)
Adoption of new accounting pronouncement	-	-	-	-	79	79
Other comprehensive income	-	-	-	559	-	559
Net loss	-	-	-	-	(11,626)	(11,626)
Balance at June 30, 2024	14,239	$ 142	$ 158,627	$ 15	$ 115,790	$ 274,574

For the nine months ended June 30, 2023	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total share-holders' equity
	Shares	Amount				
Balance as of September 30, 2022	13,818	$ 138	$ 54,539	$ (1,898)	$ 94,803	$ 147,582
Stock-based compensation expense	-	-	2,504	-	-	2,504
Issuance of common stock under employee stock purchase plan	50	-	954	-	-	954

Issuance of common stock under equity compensation plans, net	13	1	611	-	-	612
Exercise of stock options, net of shares exchanged for payment	11	-	(493)	-	-	(493)
Repurchase of shares for payment of withholding taxes for stock grants	(10)	-	(954)	-	-	(954)
Issuance of common stock, net	1,380	14	130,248	-	-	130,262
Other comprehensive income	-	-	-	1,630	-	1,630
Net income	-	-	-	-	29,837	29,837
Balance at June 30, 2023	15,263	$ 153	$ 187,409	$ (268)	$ 124,640	$ 311,934

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS)

	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Cash flows from operating activities		
Net (loss) income	$ (11,626)	$ 29,837
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,481	4,411
Amortization of discount on investments	(3,304)	(2,429)
Deferred taxes	(3,523)	-
Stock-based compensation	3,437	2,504
Changes in operating assets and liabilities, net of acquired amounts:		
Accounts receivable	946	24,519
Inventories, net	23,440	(21,510)

Other assets	(8,030)	(3,525)
Accounts payable and accrued expenses	1,643	(20,326)
Net cash provided by operating activities	8,464	13,481
Cash flows from investing activities		
Purchases of property, plant and equipment, and intangible assets	(5,608)	(6,529)
Purchases of investments	(124,137)	(210,923)
Proceeds from maturities of investments	142,067	105,077
Net cash provided by (used in) investing activities	12,322	(112,375)
Cash flows from financing activities		
Issuance of long-term debt	2,142	-
Repayment of long-term debt	(2,142)	(16,700)
Proceeds from issuance of common stock under employee stock purchase plan	586	612
Repurchase of shares for payment of withholding taxes for stock grants	(240)	(954)
Tax withholding and proceeds related to exercise of stock options	(9)	(493)
Issuance of stock under equity compensation plans	-	954
Net proceeds from issuance of common stock	-	130,262
Repurchase of common stock	(33,374)	-
Net cash (used in) provided by financing activities	(33,037)	113,681
Effect of exchange rates on cash	48	(52)
(Decrease) increase in cash and cash equivalents	(12,203)	14,735
Cash and cash equivalents, beginning of period	37,827	16,650
Cash and cash equivalents, end of period	$ 25,624	$ 31,385
Supplemental disclosures for cash flow information		
Cash paid for income taxes	$ 165	$ 12,589
Cash paid for interest expense	$ 302	$ 360
Right of use assets obtained through lease liabilities	$ 4,614	$ 3,776
Non-cash financing activities		
Cashless exercise of stock options	$ 19	$ 566

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Unless the context otherwise requires, for purposes of this Quarterly Report on Form 10-Q, the words “we,” “us,” “our,” the “Company,” and “Clearfield,” refer to Clearfield, Inc. and subsidiaries.

Basis of Presentation

The accompanying (a) condensed consolidated balance sheet as of September 30, 2023 September 30, 2024, which has been derived from audited financial statements, and (b) unaudited interim condensed consolidated financial statements as of and for the three and nine months ended June 30, 2024 December 31, 2024 have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows of the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of results to be expected for the full year or for any other interim period, due to variability in customer purchasing patterns, seasonality, and other factors. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024.

In preparation of the Company’s condensed consolidated financial statements, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities and related revenues and expenses during the reporting periods. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Clearfield, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

On October 1, 2023, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) No. 2016-13, *Measurement of Credit Losses on Financial Instruments,* and subsequent amendments to the initial guidance: ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, and ASU No. 2020-02 (collectively, Topic 326). This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses (CECL). The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The Company adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost, which are primarily trade accounts receivable for the Company. Results for reporting periods beginning after October 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. The impact of adopting Topic 326 as of October 1, 2023, was not material to the consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 is intended to enhance financial reporting by requiring incremental disclosures for significant segment expenses on an annual and interim basis by public entities required to report segment information in accordance with Accounting Standards Codification Topic 280. The amendments in ASU 2023-07 are to be applied retrospectively to all periods presented in the financial statements and early adoption is permitted. This standard will be applicable to the Company for the 2025 annual period and quarterly periods thereafter. The Company is evaluating its disclosure approach for ASU 2023-07 and anticipates adopting the standard for the year ended September 30, 2025, and filings thereafter.*

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The new guidance is expected to improve income tax disclosures primarily related to the rate reconciliation and income taxes paid information by requiring 1) consistent categories and greater disaggregation of information in the rate reconciliation and 2) income taxes paid disaggregated by jurisdiction. The guidance is effective on a prospective basis, although retrospective application and early adoption is permitted. The Company is evaluating its disclosure approach for ASU 2023-09 and anticipates adopting the standard for the annual period starting October 1, 2025.

The FASB issued ASU No. 2024-03, (Subtopic 220-4012): Disaggregation of Income Statement Expenses. The ASU No. 2024-03 addresses the disaggregation of income statement expenses under that aims to provide more detailed information about the types of expenses included in commonly presented expense captions, such as cost of sales, selling, general, and administrative expenses (SG&A), and research and development. The ASU 2024-04 can be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. The Company is evaluating its disclosure approach for ASU 2024-03 and anticipates adopting the standard for the annual period starting October 1, 2027.

In March Correction of Prior Period Error

As disclosed in Note 1 to Company's 2024 Form 10-K, the SEC adopted rules under SEC Release No. 33-11275, The Enhancement Company identified a prior period error in the presentation of its Consolidated Statement of Cash Flows. Management determined its presentation of the net borrowings and Standardization repayments of Climate-Related Disclosures factoring receivables was incorrectly presented within the 'Accounts payable and accrued expenses' line within operating activities as opposed to being presented within financing activities. As corrected in the Condensed Consolidated Statements of Cash Flows, Accounts payable and accrued expenses and Net cash provided by operating activities are each increased by $2,972,000 for Investors, which requires the disclosure of material Scope 1 and Scope 2 greenhouse gas emissions and other climate-related topics in annual reports and registration statements. For large-accelerated filers and accelerated filers, disclosure requirements will begin phasing in for fiscal years beginning on or after January 1, 2025 three months ended December

31, 2023, and January 1, 2026, respectively, subject to legal challenges Net borrowings and repayments of factoring liability and Net cash used in financing activities are each increased by $2,972,000 for the SEC's voluntary stay three months ended December 31, 2023. This correction had no impact on the previously reported condensed consolidated balance sheets, condensed consolidated statements of the disclosure requirements. earnings, condensed consolidated statement of comprehensive income, or condensed consolidated statements of shareholders' equity. The Company is currently evaluating the impact these rules also will have on its consolidated correct previously reported financial statements and related disclosures. information for such immaterial errors in future filings, as applicable.

Note 2. Net Income (Loss) Loss Per Share

Basic net income (loss) loss per common share ("EPS") is computed by dividing net income (loss) loss by the weighted average number of common shares outstanding for the reporting period. Diluted EPS equals net income (loss) loss divided by the sum of the weighted average number of shares of common stock outstanding plus all additional common stock equivalents, such as stock options, when dilutive.

The following is a reconciliation of the numerator and denominator of the net income (loss) loss per common share computations for the three and nine months ended June 30, 2024 December 31, 2024, and 2023:

(In thousands, except for share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine months Ended June 30, 2024	Nine months Ended June 30, 2023	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Net (loss) income	$ (447)	$ 5,218	$ (11,626)	$ 29,837		
Net loss					$ (1,906)	$ (5,268)
Weighted average common shares	14,249,755	15,254,341	14,699,278	14,880,666	14,213,025	15,212,945
Dilutive potential common shares	-	-	-	48,739	-	-
Weighted average dilutive common shares outstanding	14,249,755	15,254,341	14,699,278	14,929,405	14,213,025	15,212,945
Net (loss) income per common share:						
Net loss per common share:						
Basic	$ (0.04)	$ 0.33	$ (0.79)	$ 2.01	$ (0.13)	$ (0.35)
Diluted	$ (0.04)	$ 0.33	$ (0.79)	$ 2.00	$ (0.13)	$ (0.35)

For the three months ended December 31, 2024, 404,836 stock options and 76,121 performance stock units were not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the three months ended

December 31, 2023, 363,692 stock options and 47,745 performance stock units were not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

Note 3. Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The following table presents the Company's cash and cash equivalents balances:

(In thousands)	June 30, 2024	September 30, 2023	December 31, 2024	September 30, 2024
Cash and cash equivalents:				
Cash, including money market accounts	$ 10,380	$ 11,360	$ 6,881	$ 5,789
Money market funds	15,244	26,467	23,572	10,378
Total cash and cash equivalents	$ 25,624	$ 37,827	$ 30,453	$ 16,167

The Company maintains cash balances at multiple financial institutions, and at times, such balances exceeded insured limits. The Company has not experienced any losses in such accounts.

Note 4. Investments

The Company invests in United States Treasury ("Treasuries") securities with terms of not more than five years and certificates of deposit ("CDs") that are fully insured by the Federal Deposit Insurance Corporation ("FDIC") and United States Treasury securities with terms of not more than five years, , as well as money market funds. The Company's investment portfolio is classified as available-for-sale, which is reported on the consolidated balance sheet at fair value. The unrealized gain or loss on investment securities is recorded in other comprehensive income, (loss), net of tax. Realized gains and losses on available-for-sale securities are recognized upon sale and are included in net investment income in the condensed consolidated statement of earnings.

As of June 30, 2024 December 31, 2024, available-for-sale investments consisted of the following:

	June 30, 2024				December 31, 2024			
(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-Term								
U.S. Treasury securities	$ 98,105	$ -	$ (155)	$ 97,950	$ 82,005	$ 215	$ (159)	$ 82,061

Certificates of deposit	247	-	(2)	245	500	-	-	500
Investment securities – short-term	$ 98,352	$ -	$ (157)	$ 98,195	$ 82,505	$ 215	$ (159)	$ 82,561
Long-Term								
U.S Treasury securities	$ 24,283	$ 8	$ (341)	$ 23,950	$ 41,801	$ 14	$ (136)	$ 41,679
Certificates of deposit	248	-	(18)	230	248	-	(11)	237
Investment securities – long-term	$ 24,531	$ 8	$ (359)	$ 24,180	$ 42,049	$ 14	$ (147)	$ 41,916

As of September 30, 2023 September 30, 2024, available-for-sale investments consist of the following:

	September 30, 2023				September 30, 2024			
(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-Term								
U.S treasury securities	$ 122,534	$ -	$ (143)	$ 122,391				
U.S. Treasury securities					$ 113,987	$ 382	$ (45)	$ 114,324
Certificates of deposit	8,014	-	(119)	7,895	500	1	-	501
Investment securities – short-term	$ 130,548	$ -	$ (262)	$ 130,286	$ 114,487	$ 383	$ (45)	$ 114,825
Long-Term								
U.S treasury securities	$ 6,719	$ -	$ (596)	$ 6,123				
U.S Treasury securities					$ 24,514	$ -	$ (245)	$ 24,269
Certificates of deposit	248	-	(28)	220	248	-	(12)	236
Investment securities – long-term	$ 6,967	$ -	$ (624)	$ 6,343	$ 24,762	$ -	$ (257)	$ 24,505

As of June 30, 2024 December 31, 2024, investments in debt securities in an unrealized loss position were as follows:

(In thousands)	In Unrealized Loss Position For Less Than 12 Months		In Unrealized Loss Position For Greater Than 12 Months		In Unrealized Loss Position For Less Than 12 Months		In Unrealized Loss Position For Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S treasury securities	$ 96,508	$ (105)	$ 6,350	$ (391)	$ 37,773	$ (69)	$ 6,535	$ (226)
Certificates of deposit	-	-	475	(20)	-	-	237	(11)
Investment securities	$ 96,508	$ (105)	$ 6,825	$ (411)	$ 37,773	$ (69)	$ 6,772	$ (237)

As of September 30, 2023 September 30, 2024, investments in debt securities in an unrealized loss position were as follows:

(In thousands)	In Unrealized Loss Position For Less Than 12 Months		In Unrealized Loss Position For Greater Than 12 Months		In Unrealized Loss Position For Less Than 12 Months		In Unrealized Loss Position For Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S treasury securities	$ 112,908	$ (131)	$ 15,606	$ (608)	$ 19,719	$ (39)	$ 6,500	$ (250)
Certificates of deposit	245	-	7,870	(147)	-	-	236	(12)
Investment securities	$ 113,153	$ (131)	$ 23,476	$ (755)	$ 19,719	$ (39)	$ 6,736	$ (262)

As of June 30, 2024 December 31, 2024, there were 10 7 securities in an unrealized loss position which is due to the market paying a higher interest rate than the coupon rate on these securities. As of September 30, 2023 September 30, 2024, there were 42 6 securities in an unrealized loss position which is due to the securities paying lower interest rates than the market. As of June 30, 2024 December 31, 2024, and September 30, 2023 September 30, 2024, there are no securities which are other than temporarily impaired as the Company intends to hold these securities until their value recovers and there is negligible credit risk due to the nature of the securities which are backed by the FDIC and the U.S. federal government. The Company had no allowance for credit losses on investments for the three months ended December 31, 2024.

Note 5. Fair Value Measurements

The Company determines the fair value of its assets and liabilities based on the market price that would be received for an asset or paid to transfer a liability (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. The Company determines the fair value of U.S. treasury *securities Treasuries and certificates of deposit CDs based on valuations provided by an external pricing service, which obtains them from a variety of industry standard data providers.*

The Company's investments are categorized according to the three-level fair value hierarchy which distinguishes between observable and unobservable inputs, in one of the following levels:

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

Level 2- Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3- Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those with fair value measurements that are determined using pricing models, discounted cash flow valuation or similar techniques, as well as significant management judgment or estimation.

The following provides information regarding fair value measurements for the Company's investment securities as of June 30, 2024 December 31, 2024, according to the three-level fair value hierarchy:

	Fair Value Measurements as of June 30, 2024				Fair Value Measurements as of December 31, 2024			
(*In thousands*)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash equivalents:								
Money market funds	$ 15,244	$ 15,244	$ -	$ -	$ 23,572	$ 23,572	$ -	$ -
Total cash equivalents	$ 15,244	$ 15,244	$ -	$ -	$ 23,572	$ 23,572	$ -	$ -
Investment securities:								
Certificates of deposit	$ 475	$ -	$ 475	$ -	$ 737	$ -	$ 737	$ -
U.S. Treasury securities	121,900	-	121,900	-	123,740	-	123,740	-
Total investment securities	$ 122,375	$ -	$ 122,375	$ -	$ 124,477	$ -	$ 124,477	$ -

The following provides information regarding fair value measurements for the Company's investment securities as of September 30, 2023 September 30, 2024, according to the three-level fair value hierarchy:

	Fair Value Measurements as of September 30, 2023			
(In thousands)	*Total*	*Level 1*	*Level 2*	*Level 3*
Cash equivalents:				
Money market funds	*$ 26,467*	*$ 26,467*	*$ -*	*$ -*

Total cash equivalents	$ 26,467	$ 26,467	$ -	$ -
Investment securities:				
Certificates of deposit	$ 8,115	$ -	$ 8,115	$ -
U.S. Treasury securities	128,514	-	128,514	-
Total investment securities	$ 136,629	$ -	$ 136,629	$ -

	Fair Value Measurements as of September 30, 2024			
(In thousands)	Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	$ 10,378	$ 10,378	$ -	$ -
Total cash equivalents	$ 10,378	$ 10,378	$ -	$ -
Investment securities:				
Certificates of deposit	738	-	738	-
U.S. Treasury securities	$ 138,592	$ -	$ 138,592	$ -
Total investment securities	$ 139,330	$ -	$ 139,330	$ -

During the three and nine months ended June 30, 2024 December 31, 2024, and the year ended September 30, 2023 September 30, 2024, the Company owned no Level 3 securities and there were no transfers within the fair value level hierarchy.

Non-financial assets such as equipment and leasehold improvements, goodwill and intangible assets, and right-of-use assets for operating leases are subject to non-recurring fair value measurements if they are deemed impaired. The Company had no re-measurements of non-financial assets to fair value in during the three or nine months ended June 30, 2024 December 31, 2024, and the year ended September 30, 2023 September 30, 2024.

Note 6. Other Comprehensive Income (Loss)

Changes in components of other comprehensive income (loss), net of tax, are as follows:

(In thousands)	Available-for-Sale Securities	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at September 30, 2023	$ (682)	$ 138	$ (544)

Other comprehensive income for the three months ended December 31, 2023	291	729	1,020
Balances at December 31, 2023	$ (391)	$ 867	$ 476
Other comprehensive (loss) for the three months ended March 31, 2024	(45)	(301)	(346)
Balances at March 31, 2024	$ (436)	$ 566	$ 130
Other comprehensive (loss) for the three months ended June 30, 2024	31	(146)	(115)
Balances at June 30, 2024	$ (405)	$ 420	$ 15

(In thousands)	Available-for-Sale Securities	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at September 30, 2024	$ 66	$ 1,013	$ 1,079
Other comprehensive (loss) for the three months ended December 31, 2024	(125)	(971)	(1,096)
Balances at December 31, 2024	$ (59)	$ 42	$ (17)

Components of other comprehensive loss for the three months ended December 31, 2024 are as follows:

	Three Months Ended December 31, 2024		
(In thousands)	Before Tax	Tax Effect	Net of Tax Amount
Unrealized (loss) on available-for-sale securities	$ (158)	$ 33	$ (125)
Unrealized (loss) on foreign currency translation	(1,159)	188	(971)
Other comprehensive (loss)	$ (1,317)	$ 221	$ (1,096)

Components of other comprehensive income for the three months ended December 31, 2023 are as follows:

	Three Months Ended December 31, 2023		
(In thousands)	Before Tax	Tax Effect	Net of Tax Amount
Unrealized gain on available-for-sale securities	$ 390	$ (99)	$ 291
Unrealized gain on foreign currency translation	915	(186)	729
Other comprehensive gain	$ 1,305	$ (285)	$ 1,020

Note 7. Stock-Based Compensation

The Company recorded $1,152,000 and $3,437,000 $1,139,000 of compensation expense related to current and past restricted stock grants, non-qualified stock options, performance stock units, and the Company's Employee Stock Purchase Plan ("ESPP") for the three and nine months ended June 30, 2024 December 31, 2024. For the three months ended June 30, 2024 December 31, 2024, $1,099,000 $1,097,000 of this expense is included in selling, general and administrative expense, and $53,000 $42,000 is included in cost of sales. For the nine months ended June 30, 2024, $3,280,000 of this expense is included in selling, general and administrative expense, and $157,000 is included in cost of sales.

The Company recorded $1,059,000 and $2,504,000 of compensation expense related to current and past restricted stock grants, non-qualified stock options, and the ESPP for the three and nine months ended June 30, 2023. For the three months ended June 30, 2023, $1,016,000 of this expense is included in selling, general and administrative expense, and $43,000 is included in cost of sales. For the nine months ended June 30, 2023, $2,377,000 of this expense is included in selling, general and administrative expense, and $126,000 is included in cost of sales.

As of June 30, 2024 December 31, 2024, $6,213,000 $8,910,000 of total unrecognized compensation expense related to non-vested restricted stock awards and stock options is expected to be recognized over a period of approximately 2.4 2.9 years

The Company recorded $1,271,000 of compensation expense related to current and past restricted stock grants, non-qualified stock options, performance stock units, and the Company's ESPP for the three months ended December 31, 2023. For the three months ended December 31, 2023, $1,227,000 of this expense is included in selling, general and administrative expense, and $44,000 is included in cost of sales. As of December 31, 2023, $8,668,000 of total unrecognized compensation expense related to non-vested restricted stock awards and stock options is expected to be recognized over a period of approximately 2.9 years.

Stock Options

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. During the nine three months ended June 30, 2024 December 31, 2024, the Company granted employees non-qualified stock options to purchase an aggregate of 118,706 38,198 shares of common stock with a weighted average contractual term of five years, a weighted average vesting term of approximately 3 three years, and a weighted average exercise price of $26.84 $30.90 per share. During the nine three months ended June 30, 2023 December 31, 2023, the Company granted employees non-qualified stock options to purchase an aggregate of 40,266 111,299 shares of common stock with a weighted average contractual term of five years, a weighted average three-year vesting term, and a weighted average exercise price of $64.38 per $26.18per share.

The fair value of stock option awards during the nine three months ended June 30, 2024 December 31, 2024, was estimated as of the respective grant dates using the assumptions listed below:

			Nine Three months ended December 31, 2024 June 30, 2024	
Dividend yield	*0.00%*		*0.00*	*%*

Expected volatility	61.66%	58.07 %
Risk-free interest rate	4.55%	4.20 %
Expected life (years)		3.5
Vesting period (years)		3

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after their grant date. The risk-free interest rate reflects the interest rate as of the grant date on zero-coupon U.S. governmental bonds with a remaining life similar to the expected option term.

Options are granted with exercise prices at fair market values determined on the date of grant and vesting normally occurs over a three to five-year period. Shares issued upon exercise of a stock option are issued from the Company's authorized but unissued shares.

The following is a summary of stock option activity during the nine three months ended June 30, 2024 December 31, 2024:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as of September 30, 2023	254,124	$ 37.04		
Outstanding as of September 30, 2024			366,984	$ 33.83
Granted	118,706	26.84	38,198	30.90
Exercised	(1,501)	12.40	(346)	26.18
Forfeited or expired	(4,345)	38.13	-	-
Outstanding as of June 30, 2024	366,984	$ 33.83		
Outstanding as of December 31, 2024			404,836	$ 33.56

The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price. As of June 30, 2024 December 31, 2024, the weighted average remaining contractual term for all outstanding and exercisable stock options was 1.76 2.51 years and their aggregate intrinsic value was $2,473,000. $5,663,083.

Restricted Stock

During the nine three months ended June 30, 2024 December 31, 2024, the Company granted employees restricted stock awards totaling 137,928 104,691 shares of common stock, with a vesting term of approximately three years and a fair value of $26.65 $30.90 per share based on the stock price on the grant date. During the nine three months ended June 30, 2023 December 31, 2023, the Company granted employees restricted stock awards totaling 34,674 121,884 shares of common *stock, with a vesting term of approximately three years and a fair value of $72.26 $26.18 per share. share based on the stock price on the grant date.*

During the nine three months ended June 30, 2023 December 31, 2024, the Company granted the non-employee directors restricted stock awards totaling 6,818 610 shares of common stock, with a vesting term of approximately one year and a fair value of $61.56 $32.74 per share.

Restricted stock transactions during the nine three months ended June 30, 2024 December 31, 2024, are summarized as follows:

	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Unvested shares as of September 30, 2023	*90,575*	*$ 49.92*		
Unvested shares as of September 30, 2024			*162,207*	*$ 34.91*
Granted	*137,928*	*26.53*	*105,301*	*30.91*
Vested	*(37,569)*	*54.35*	*(57,089)*	*64.31*
Forfeited	*(4,887)*	*29.08*	*(500)*	*26.18*
Unvested as of June 30, 2024	*186,047*	*$ 31.07*		
Unvested as of December 31, 2024			*209,919*	*$ 32.54*

Performance Stock Units

During the nine three months ended June 30, 2024 December 31, 2024, the Company granted 50,747 performance stock units which entitle the participant to receive one share of the Company's common stock for each performance stock unit awarded, subject to the achievement of fiscal year 2025 performance goals. Achievement of the goals can result in 50%, 100%, or 150% of the shares being awarded, which have a vesting term of 3 years. The Company has determined the fair value per underlying share of the performance stock unit awards to be $30.90 as of the grant date.

Compensation expense for the performance stock units is measured using the fair value of our common stock at the grant date. As of December 31, 2024, the Company believes it is probable that 100% of these performance stock unit awards will vest based on achievement of established performance goals and has recognized compensation cost accordingly.

During the three months ended December 31, 2023, the Company granted 47,745 performance stock units which entitles entitled the participant to receive the same number of shares one share of the Company's common stock for each performance stock unit awarded, upon achievement of a fiscal year 2024 performance goal. The Company has determined the fair value per underlying share of the performance stock unit awards to be $26.18 as of the grant date. The 2024 fiscal year performance goal was not met, and the shares were forfeited during the three months ended December 31, 2024.

Compensation expense for the performance stock units The following is measured using the fair value a summary of our common stock at the grant date. As of June 30, 2024, the Company does not believe it is probable that these performance stock unit *awards will vest based on achievement of established performance criteria, and previously recognized compensation expense related to these awards has been reversed to $0. The Company did not issue any performance stock units in activity during the nine three months ended June 30, 2023. December 31, 2024:*

	Number of shares	Weighted average grant date fair value
Unvested shares as of September 30, 2024	*47,745*	*$ 26.18*
Granted	*50,747*	*30.90*
Vested	*-*	*-*
Forfeited	*(47,745)*	*26.18*
Unvested as of December 31, 2024	*50,747*	*$ 30.90*

Bonus Stock

The Company did not issue any bonus stock in the nine months ended June 30, 2024. During the nine months ended June 30, 2023, the Company granted employees an aggregate of 9,144 shares of stock as a discretionary bonus for fiscal 2022 performance. The bonus stock consisted of common stock with no vesting period or restrictions. The fair value on the date of issuance was $104.36 per share.

Employee Stock Purchase Plan

The Company's ESPP allows participating employees to purchase shares of the Company's common stock at a discount through payroll deductions. The ESPP is available to all employees subject to certain eligibility requirements. Terms of the ESPP provide those participating employees the ability to purchase the Company's common stock on a voluntary after-tax basis. Employees may purchase the Company's common stock at a price that is no less than the lower of 85% of the fair market value of one share of common stock at the beginning or end of each stock purchase period or phase. The ESPP is carried out in six-month phases, with phases beginning on January 1 and July 1 of each calendar year. For the phase that ended on December 31, 2023 December 31, 2024, employees purchased 10,104 11,415 shares at a price of $24.72 $26.35 per share. For the phase that ended on June 30, 2024 December 31, 2023, employees purchased 13,598 10,104 shares at a price of $24.72 per share After the employee purchase on June 30, 2024 December 31, 2024, 144,548 133,134 shares of common stock were available for future purchase under the ESPP.

Note 8. Revenue

Revenue Recognition

Net sales include Our revenue is comprised of the sale of our products and shipping and handling charges. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. All revenue customers and is recognized when the Company satisfies its performance obligations under the applicable sales contract. The Company recognizes A performance obligation is a promise in a sales contract to transfer a distinct product or service to a customer. Substantially all our sales contracts have a single performance obligation and are short term in nature. We recognize revenue by transferring the promised products to the customer, with substantially all revenue recognized at the point in time when the customer obtains control of the products. The Company recognizes revenue, including shipping Shipping and handling charges, at costs charged to our customers are included in net sales, while the time the products corresponding shipping expenses are delivered to or picked up by the customer. The majority included in cost of the Company's contracts have a single performance obligation sales. Sales, value add, and are short term in nature. Sales other taxes and value added taxes in foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded (excluded from net sales. revenue) basis.

Disaggregation of Revenue

The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. Sales outside the United States are principally to customers in Europe, the Caribbean, Canada, Central and South America.

Revenues related to the following geographic areas were as follows for the three and nine months ended:

	Three Months Ended June 30,		Nine months Ended June 30,		Three Months Ended December 31,	
(In thousands)	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*
United States	*$ 32,300*	*$ 47,098*	*$ 86,823*	*$ 181,508*	*$ 29,332*	*$ 27,561*
All other countries	*16,493*	*14,186*	*33,110*	*37,527*	*6,144*	*6,669*
Total Net Sales	*$ 48,793*	*$ 61,284*	*$ 119,933*	*$ 219,035*	*$ 35,476*	*$ 34,230*

The Company sells its products to the Broadband Service Provider marketplace. In addition, the Company provides Legacy services for products to original equipment manufacturers requiring copper and fiber cable assemblies built to their specification. specification (Legacy).

The percentages of our sales by markets were as follows for the three and nine months ended:

	Three Months Ended June 30,	Nine months Ended June 30,	Three Months Ended December 31,

(In thousands)	2024	2023	2024	2023		
					2024	2023
Broadband service providers	94 %	97 %	94 %	96 %	94 %	93 %
Other customers	6 %	3 %	6 %	4 %	6 %	7 %
Total Net Sales	100 %	100 %	100 %	100 %	100 %	100 %

Broadband Service Providers are made up of Community Broadband, which includes local and regional telecom companies, utilities, municipalities and alternative carriers, also referred to as Tier 2 and Tier 3 customers; National Carriers, which includes large national and global wireline and wireless providers, also referred to as Tier 1 customers; Large Regional Service Providers with a national footprint; Multiple System Operators ("MSO's"), which include cable television companies; and International customers.

Accounts Receivable

Credit is extended based on the evaluation of a customer's financial condition, and collateral is generally not required. Accounts that are outstanding longer than the contractual payment terms are considered past due. On October 1, 2023, the Company adopted the cumulative expected credit loss model ("CECL") (CECL). Upon adoption of the CECL, the Company measures the allowance for credit losses using an expected credit loss model, which uses a lifetime expected credit loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivable are grouped based on shared credit risk characteristics and the days past due. In calculating an allowance for credit losses, the Company uses its historical experience, external indicators, and forward-looking information to calculate expected credit losses using an aging method. The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics which have been grouped based on the days past due. The expected loss rates are based on the Company's historical credit losses experience. The historical loss rates are adjusted to reflect current and forward-looking information. As of June 30, 2024 December 31, 2024, and September 30, 2024, the Company's allowance for credit losses was $0.
As of September 30, 2023, prior to the adoption of CECL, the Company's allowance for doubtful accounts was $79,000. Upon the adoption of CECL, the prior allowance for doubtful accounts was recorded as a benefit to beginning retained earnings.

See Note 9 "Major Customer Concentration" for further information regarding accounts receivable and net sales.

Note 9. Major Customer Concentration

For the three months ended June 30, 2024 December 31, 2024, the Company had one customer that comprised 15% of the Company's net sales. The customer is a distributor. For the nine months ended June 30, 2024, the Company had one customer that comprised 11% of the Company's net sales. The customer is a distributor.

For the three months ended June 30, 2023 December 31, 2023, the Company had one two customer customers that comprised 17% of the Company's net sales. The customer is a distributor. For the nine months ended June 30, 2023, the Company had one *customer that comprised 19% and 16% of the Company's net sales. The customer is a distributor. sales, respectively. Both of these customers are distributors.*

As of June 30, 2024 December 31, 2024, two customers accounted for 15% and 12% of accounts receivable, respectively. Both of these customers are distributors. As of September 30, 2024, three customers accounted for 19% 16%, 12% 11%, and 11% 10% of accounts receivable, respectively. These customers are all distributors. As of September 30, 2023, three customers accounted for 16%, 13%, and 11% of accounts receivable, respectively. These customers are also distributors.

Note 10. Inventories

Inventories consist of finished goods, raw materials, and work-in-process and are stated at average cost, subject to the lower of cost or net realizable value. Certain components of the Company's inventory classified as raw materials or finished goods can be used as a component to manufacture products or can be sold directly to the customer. Inventory is valued using material costs, labor charges, and allocated factory overhead charges and consists of the following:

(In thousands)	*June 30, 2024*	*September 30, 2023*	*December 31, 2024*	*September 30, 2024*
Raw materials	*$ 59,968*	*$ 73,657*	*$ 47,411*	*$ 56,842*
Work-in-process	*3.206*	*1,462*	*1,644*	*1,790*
Finished goods	*27,399*	*29,696*	*25,977*	*23,389*
Inventories, gross	*90,573*	*104,815*	*75,032*	*82,021*
Inventory reserve	*(15,704)*	*(6,760)*	*(15,808)*	*(15,255)*
Inventories, net	*$ 74,869*	*$ 98,055*	*$ 59,224*	*$ 66,766*

Inventory reserves are On a regular basis, the Company reviews its inventory and identifies that which is excess, slow moving, and obsolete by considering factors such as inventory levels, expected product life, and forecasted sales demand. A reserve is established for estimated any identified excess, slow moving, and obsolete inventory equal through a charge to the difference between the cost of sales. Inventory write-down charges may be required in the inventory future if there is a significant decline in demand for the Company's products and the estimated net realizable value Company does not adjust its manufacturing production accordingly, if new products are not accepted by the market, or if products are end of the inventory based on the Company's usage and inventory age, relative to historical experience. life through life cycle management.

Note 11. Goodwill and Intangibles Intangible Assets

The Company tests Goodwill goodwill for impairment annually at fiscal year-end, or more frequently when events or changes in circumstances indicate that the asset might be impaired. The Company assesses qualitative factors to determine whether the *existence of events or circumstances would indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The result of the analysis performed as of September 30, 2023 September 30, 2024, did not indicate an impairment of goodwill. During the nine three months ended June 30, 2024 December 31, 2024, there were no triggering events that indicate potential impairment exists.*

The Company capitalizes legal costs incurred to obtain patents. Once accepted by either the U.S. Patent Office or the equivalent office of a foreign country, these legal costs are amortized using the straight-line method over the remaining estimated lives, not exceeding 20 years. As of June 30, 2024 December 31, 2024, the Company has 56 55 patents granted and multiple pending applications both inside and outside the United States.

In addition, the Company has various finite lived intangible assets, most of which were acquired as a result of the acquisition of the active cabinet product line from Calix, Inc. during fiscal year 2018 and the acquisition of Nestor Cables in fiscal year 2022. The Company analyzes its intangible assets for impairment annually or at interim periods when events occur or changes in circumstances indicate potential impairment. The result of the analysis performed as of September 30, 2023 September 30, 2024, did not indicate an impairment of our intangible assets. During the nine three months ended June 30, 2024 December 31, 2024, there were no triggering events that indicate potential impairment exists.

The changes in the carrying amount of goodwill by reportable segment for the nine three months ended June 30, 2024 were as follows.

(In thousands)	*Clearfield, Inc.*	*Nestor Cables*	*Total*
Balance as of September 30, 2023	*$ 4,708*	*$ 1,820*	*$ 6,528*
Currency translation effect on foreign goodwill balances	*-*	*25*	*25*
Balance as of June 30, 2024	*$ 4,708*	*$ 1,845*	*$ 6,553*

The components of other intangible assets December 31, 2024, and 2023 were as follows:

	June 30, 2024		
(In thousands)	*Gross Carrying Amount*	*Accumulated Amortization*	*Net Book Value Amount*
Customer relationships	*$ 4,837*	*$ 1,816*	*$ 3,021*
Certifications	*584*	*367*	*217*
Trademarks	*1,286*	*700*	*586*
Patents	*1,172*	*205*	*967*
Developed technology	*293*	*1*	*292*
Other	*6*	*6*	*-*
Software	*3,910*	*2,594*	*1,316*
Totals	*$ 12,088*	*$ 5,689*	*$ 6,399*

(In thousands)	Clearfield, Inc.	Nestor Cables	Total
Balance as of September 30, 2024	$ 4,709	$ 1,918	$ 6,627
Currency translation effect on foreign goodwill balances	-	(134)	(134)
Balance as of December 31, 2024	$ 4,709	$ 1,784	$ 6,493

	September 30, 2023		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value Amount
Customer relationships	$ 4,894	$ 1,582	$ 3,312
Certifications	584	267	317
Trademarks	1,333	700	633
Patents	1,119	165	954
Developed technology	311	22	289
Other	6	6	-
Software	2,613	2,026	587
Totals	$ 10,860	$ 4,768	$ 6,092

(In thousands)	Clearfield, Inc.	Nestor Cables	Total
Balance as of September 30, 2023	$ 4,709	$ 1,819	$ 6,528
Currency translation effect on foreign goodwill balances	-	87	87
Balance as of December 31, 2023	$ 4,709	$ 1,906	$ 6,615

Finite life intangible assets as of December 31, 2024, are as follows:

	December 31, 2024			
(In thousands)	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value Amount
Customer relationships	15	$ 4,778	$ 1,884	$ 2,894
Certifications	8	1,068	918	150
Trademarks	8-10	1,081	610	471
Patents	20	1,330	232	1,098
Developed Technology	10	321	77	244
Other	5	6	6	-
Software	1-3	3,846	2,600	1,246
Totals		$ 12,430	$ 6,327	$ 6,103

Finite life intangible assets as of September 30, 2024, are as follows:

(In thousands)	*Useful Life (Years)*	*September 30, 2024* Gross Carrying Amount	*Accumulated Amortization*	*Net Book Value Amount*
Customer relationships	*15*	*$ 4,856*	*$ 1,815*	*$ 3,041*
Certifications	*8*	*1,068*	*884*	*184*
Trademarks	*8-10*	*1,120*	*588*	*532*
Patents	*20*	*1,302*	*219*	*1,083*
Developed Technology	*10*	*346*	*75*	*271*
Other	*5*	*6*	*6*	*-*
Software	*1-3*	*3,475*	*2,243*	*1,232*
Totals		*$ 12,173*	*$ 5,830*	*$ 6,343*

Amortization expense related to these assets was $427,000 $527,000 and $280,000 $310,000 for the three months ended June 30, 2024 December 31, 2024, and June 30, 2023, respectively. Amortization expense related to these assets was $1,089,000 and $836,000 for the nine months ended June 30, 2024, and June 30, 2023, 2023, respectively. Estimated future amortization expense for identifiable intangibles during the next five years is as follows:

(In thousands)	*Estimated amortization expense*
FY 2024 (remaining)	*$ 440*
FY 2025	*1,326*
FY 2026	*746*
FY 2027	*547*
FY 2028	*460*
Thereafter	*2,880*
Total	*$ 6,399*

(In thousands)	*Esti amor exp*
FY 2025 (remaining)	*$*
FY 2026	
FY 2027	

FY 2028	
FY 2029	
Thereafter	
Total	$

Note 12. Segment Reporting

The Company's reportable segments are based on the Company's method of internal reporting. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. The internal reporting of these operating segments is defined based in part on the reporting and review process used by the Company's Chief Executive Officer.

The Company has two reportable segments: (1) Clearfield; and (2) Nestor Cables. Clearfield's Finnish holding company, Clearfield Finland Oy, purchased Nestor Cables Oy, including its Estonian subsidiary, Nestor Cables Baltics OÜ, on July 26, 2022. These entities comprise the Nestor Cables Segment.

The following table summarizes the amounts between the two reportable segments for the three and nine months ended June 30, 2024 and 2023:

	Three months ended June 30, 2024			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated
Revenue from external customers	$ 33,670	$ 15,123	$ -	$ 48,793
Revenue from internal customers (Clearfield, Inc.)	-	389	(389)	-
Net investment income	1,799	-	(64)	1,735
Interest expense	-	213	(60)	153
Depreciation and amortization	1,535	375	-	1,910
Stock based compensation	1,080	72	-	1,152
Income tax benefit	(249)	(28)	-	(277)
Net income (loss)	(478)	(164)	195	(447)
Capital expenditures	1,115	106	-	1,221

	Nine months ended June 30, 2024			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated

Revenue from external customers	$ 89,371	$ 30,562	$ -	$ 119,933
Revenue from internal customers (Clearfield, Inc.)	-	1,490	(1,490)	-
Net investment income	5,832	-	(179)	5,653
Interest expense	-	558	(177)	381
Depreciation and amortization	4,383	1,098	-	5,481
Stock based compensation	3,242	195	-	3,437
Income tax benefit	(2,657)	(654)	-	(3,311)
Net loss	(8,862)	(2,836)	72	(11,626)
Capital expenditures	4,207	1,401	-	5,608

	Three months ended June 30, 2023			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated
Revenue from external customers	$ 47,856	$ 13,428	$ -	$ 61,284
Revenue from internal customers (Clearfield, Inc.)	-	1,869	(1,869)	-
Net investment income	1,685	1	(56)	1,630
Interest expense	-	252	(56)	195
Depreciation and amortization	1,208	371	-	1,579
Stock based compensation	1,041	18	-	1,059
Income taxes	1,659	183	-	1,842
Net income (loss)	5,150	781	(713)	5,218
Capital expenditures	1,472	258	-	1,729

	Nine months ended June 30, 2023			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated
Revenue from external customers	$ 186,662	$ 32,373	$ -	$ 219,035
Revenue from internal customers (Clearfield, Inc.)	-	4,792	(4,792)	-
Net investment income	3,379	5	(56)	3,328
Interest expense	170	437	(56)	551
Depreciation and amortization	3,316	1,096	-	4,411

Stock based compensation	*2,486*	*18*	*-*	*2,504*
Income taxes	*8,305*	*206*	*-*	*8,511*
Net income (loss)	*30,263*	*873*	*(1,299)*	*29,837*
Capital expenditures	*5,961*	*570*	*-*	*6,531*

The following table summarizes the amounts between the two reportable segments for the three months ended December 31, 2024, and 2023:

	Three months ended December 31, 2024			
(in thousands)	*Clearfield*	*Nestor Cables*	*Eliminations*	*Consolidated*
Revenue from external customers	*$ 29,698*	*$ 6,444*	*$ -*	*$ 35,476*
Revenue from internal customers (Clearfield, Inc.)	*-*	*666*	*(666)*	*-*
Net investment income	*1,804*	*-*	*(60)*	*1,744*
Interest expense	*-*	*162*	*(62)*	*100*
Depreciation and amortization	*1,513*	*325*	*-*	*1,838*
Stock based compensation	*1,050*	*89*	*-*	*1,139*
Income tax benefit (expense)	*53*	*(479)*	*-*	*(426)*
Net loss	*(494)*	*(1,438)*	*26*	*(1,906)*
Capital expenditures	*1,751*	*318*	*-*	*2,069*

	Three months ended December 31, 2023			
(in thousands)	*Clearfield*	*Nestor Cables*	*Eliminations*	*Consolidated*
Revenue from external customers	*$ 28,101*	*$ 6,129*	*$ -*	*$ 34,230*
Revenue from internal customers (Clearfield, Inc.)	*-*	*883*	*(883)*	*-*
Net investment income	*2,127*	*2*	*(60)*	*2,069*
Interest expense	*-*	*184*	*(58)*	*126*
Depreciation and amortization	*1,297*	*354*	*-*	*1,651*
Stock based compensation	*1,222*	*49*	*-*	*1,271*
Income tax benefit (expense)	*(583)*	*(368)*	*-*	*(951)*
Net loss	*(3,383)*	*(1,759)*	*(126)*	*(5,268)*
Capital expenditures	*1,227*	*1,125*	*-*	*2,352*

The following table summarizes the amounts between the two reportable segments as of June 30, 2024 December 31, 2024, and as of September 30, 2023 September 30, 2024:

(in thousands)	June 30, 2024 Clearfield	Nestor Cables	Eliminations	Consolidated	December 31, 2024 Clearfield	Nestor Cables	Eliminations	Consolidated
Goodwill	$ 4,709	$ 1,844	$ -	$ 6,553	$ 4,709	$ 1,784	$ -	$ 6,493
Total assets	$ 298,982	$ 42,727	$ (23,614)	$ 318,095	$ 291,656	$ 35,167	$ (23,593)	$ 303,230

	September 30, 2023			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated
Goodwill	$ 4,709	$ 1,819	$ -	$ 6,528
Total assets	$ 335,412	$ 43,550	$ (23,445)	$ 355,517

	September 30, 2024			
(in thousands)	Clearfield	Nestor Cables	Eliminations	Consolidated
Goodwill	$ 4,709	$ 1,918	$ -	$ 6,627
Total assets	$ 300,472	$ 38,773	$ (23,970)	$ 315,275

Note 13. Financing Receivables

Nestor Cables factors certain of its accounts receivable, with recourse provisions that are accounted for as a secured borrowing. Nestor Cables has a total factoring liability of $5,714,000 $2,790,000 as of June 30, 2024 December 31, 2024. Nestor receives cash for 80% of the receivable balance from the bank initially and the remaining 20% when the invoice is paid up to a limit of € €12.5 million ($13.4 12.9 million as of June 30, 2024 December 31, 2024). Due to the conditions mentioned above, these transactions do not qualify as a sale and are thus accounted for as secured borrowing. The contractual interest rate on Nestor's factoring arrangements is the 3-month Euribor rate plus a range of 0.75% to 1.3%. The average interest rate for the three months ended June 30, 2024 December 31, 2024, was 5.19% 4.44%. The average interest rate for the nine three months ended June 30, 2024 December 31, 2023, was 7.81% 5.21%. These agreements are indefinite with a termination notice period ranging from zero to one month.

Note 14. Income Taxes

For the three and nine months ended June 30, 2024 December 31, 2024, the Company recorded an income tax benefit of $277,000 and $3,311,000, respectively, $426,000, reflecting an effective tax rate of 38.2% and 22.1%, respectively. 18.3%. The difference between the effective tax rate and the statutory tax rate for the three months ended June 30, 2024, was primarily due to *the higher percentage impact of discrete events during the quarter due to the lower level of pre-tax book loss during the period.. The difference between the effective tax rate and the statutory tax rate for the nine months ended June 30, 2024 December 31, 2024, was primarily due to discrete events during the period, including excess tax shortfall from vesting of restricted stock.*

For the three and nine months ended June 30, 2023 December 31, 2023, the Company recorded an income tax expense benefit of $1,842,000 and $8,511,000, respectively, $951,000, reflecting an effective tax rate of 26.1% and 22.2%, respectively. 15.3%. The difference between the effective tax rate and the statutory tax rate for the three and nine months ended June 30, 2023 December 31, 2023, was primarily related to excess tax benefits shortfall from non-qualified stock option exercises and vesting of restricted stock, Section 162(m) compensation deduction limitations, foreign derived intangibles income (FDII) deduction, and research and development credits.

Deferred taxes recognize the impact of temporary differences between the amounts of the assets and liabilities recorded for financial statement purposes and these amounts measured in accordance with tax laws. The Company's realization of deferred tax temporary differences is contingent upon future taxable earnings. The Company reviewed its deferred tax asset for expected utilization using a "more likely than not" criteria by assessing the available positive and negative factors surrounding its recoverability and determined that as of June 30, 2024 December 31, 2024, and September 30, 2023 September 30, 2024, a valuation allowance against the deferred tax assets is not required. The Company will continue to assess the need for a valuation allowance based on changes in assumptions of estimated future income and other factors in future periods.

As of June 30, 2024 December 31, 2024, the Company does not have any unrecognized tax benefits. It is the Company's practice to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company does not expect any material changes in its unrecognized tax positions over the next 12 months.

Note 15. Leases

The Company leases an approximately 85,000 square foot facility at 7050 Winnetka Avenue North, Brooklyn Park, Minnesota consisting of corporate offices, manufacturing, and warehouse space. The original lease term was tenis 13 years and two months, ending on February 28, 2025, with a renewal option. In April 2024, the Company exercised the renewal option, which extended the lease term three additional years to end on February 29, 2028. The exercise of the renewal option added a right of use asset and corresponding lease liability of $1,337,000 upon lease commencement.

The Company indirectly leases an approximately 318,000 square foot manufacturing facility in Tijuana, Mexico that operates as a maquiladora. In Maquiladora. The lease term commenced in April 2024 the Company terminated the lease for this manufacturing facility and signed a new lease for the same facility. The new lease has a term of seven years, of which five years are mandatory. The lease contains two options to extend the term of the lease for additional periods of five years each. The lease calls for monthly base rental payments of approximately $169,000, increasing 2% annually. The renewal options have not been included within the lease term because it is not reasonably certain that the Company will exercise either option. The termination of the original facility lease resulted in a decreased right of use asset and corresponding lease liability of $5,610,000, offset by the *addition of the right of use asset and lease liability of the new facility lease for $8,637,000 upon lease termination and commencement, respectively.*

The Company leases a an approximately 105,000 square foot warehouse and manufacturing facility in Brooklyn Park, Minnesota. The lease term commenced in March 2022 and is five years ending on February 28, 2027, with rent payments increasing annually. The lease includes an option to extend the lease for an additional five years. The renewal option has not been included within the lease term because it is not reasonably certain that the Company will exercise the option.

Nestor Cables leases an approximately 25,000 square foot manufacturing facility in Oulu, Finland, which is utilized for the operations of Nestor Cables. The original lease term ended on October 31, 2022, but auto renews renewed and will continue to auto renew indefinitely until terminated with two years written notice. It is not reasonably certain that the Company will not exercise the termination option. The lease calls for monthly rental payments of approximately €€40,000. Rent is increased each year on January 1st based upon the cost-of-living index published by the Finnish government.

Nestor Cables previously leased a facility in Keila, Estonia which was terminated in the first quarter of fiscal 2025, with the operations of the Keila facility being consolidated into the Nestor Cables facility in Tabasalu, Estonia.
Nestor Cables leases an approximately 49,000 square foot a manufacturing facility in Tabasalu, Estonia, which was expanded in the first quarter of fiscal 2025 from approximately 49,000 square feet to approximately 115,000 square feet and which is utilized for the operations of Nestor Cables Baltics. Additionally, the lease grants Nestor Cables the option to lease an expansion facility that is to be constructed no later than December 2024. The expansion facility will be constructed on the same premises as the existing facility. Nestor exercised the option to lease the expansion facility and the lease term of the existing facility will be is 10 years commencing December 2024.
ending in November 2034. The lease for the facility calls for monthly rental payments of approximately €63,000. Rent for the portion of the lease pertaining to the original 49,000 square foot facility, which has a monthly base rental of €20,40024,000 until April 2024 and €25,000 afterwards. Rent, is increased each year on May 1st based upon the cost-of-living index published by the Estonian government and is capped at 5%.

Right-of-use lease assets and lease liabilities are recognized as of the commencement date based on the present value of the remaining lease payments over the lease term which includes renewal periods the Company is we are reasonably certain to exercise. The Company's Our leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense included within cost of goods sold and selling, general and administrative expense was as follows for the three and nine months ended:

Operating lease expense within:	*Three Months Ended June 30,*		*Nine months Ended June 30,*		*Three Months Ended December 31,*	
(in thousands)	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*
Cost of sales	*$ 1,081*	*$ 1,029*	*$ 3,193*	*$ 2,991*	*$ 1,069*	*$ 1,057*

Selling, general and administrative	80	63	229	182	91	77
Total lease expense	$ 1,161	$ 1,092	$ 3,422	$ 3,173	$ 1,160	$ 1,134

Future maturities of lease liabilities were as follows as of June 30, 2024 December 31, 2024 (in thousands):

FY2024(Remaining)	$ 1,065	
FY2025	4,282	
FY2025(Remaining)		$ 3,562
FY2026	4,218	4,798
FY2027	3,436	3,905
FY2028	3,029	3,319
FY2029		2,017
Thereafter	3,835	4,717
Total lease payments	19,865	22,318
Less: Interest	(3,497)	(3,672)
Present value of lease liabilities	$ 16,367	$ 18,646

The weighted average term and weighted average discount rate for the Company's leases as of June 30, 2024 December 31, 2024, were 5.35 5.82 years and 6.61% 6.48%, respectively, compared to 5.10 4.94 years and 3.58% 3.79%, respectively, as of June 30, 2023 December 31, 2023. For the three and nine months ended June 30, 2024 December 31, 2024 and December 31, 2023, the operating cash outflows from the Company's our leases was $1,058,000 were $1,679,000 and $3,150,000, respectively, compared to $1,012,000 and $2,910,000, respectively, for the three and nine months ended June 30, 2023. $1,042,000, respectively.

Note 16. Debt

In April 2022, On April 27, 2022, the Company entered into a loan agreement and a security agreement with a bank that provides the Company with a $40,000,000 revolving line of credit that is secured by certain of the Company's U.S. assets. The line of credit matures on April 27, 2025, and borrowed amounts will bear interest at a variable rate of the CME Group one-month term Secured Overnight Financing Rate ("SOFR") plus 1.85%, but not less than 1.80% per annum. As of June 30, 2024 December 31, 2024, the outstanding balance on the revolving line of credit was zero and the interest rate was 7.81% 6.42%. The loan agreement and the security agreement contains customary affirmative and negative covenants and requirements relating to the Company and its operations, including a requirement that the Company maintain a debt service coverage ratio of not less than 1.20 to 1 as of the end of each fiscal year for the fiscal year then ended and maintain a debt to cash flow ratio of not greater than 2 to 1 measured as of the end of each of the Company's fiscal quarters for the trailing twelve (12) month period. Debt service coverage ratio is the ratio of Cash Available for Debt Service to Debt Service, each as defined in the loan agreement. Debt and Cash Flow are also as defined in the loan agreement for the purposes of the debt to cash flow ratio covenant. As of June 30, 2024, the Company was *not in compliance with the debt to cash flow ratio covenant and has subsequently received a covenant waiver from the bank. The line of credit is collateralized by Clearfield, Inc.'s assets of $298,982,000 as of June 30, 2024.*

On August 5, 2024August 5, 2024, the Company entered into an Amendment No. 1 amendment to Loan Agreement the loan agreement that, amends its Loan Agreement dated April 27, 2022 with Bremer Bank, National Association (the "Lender"). The amendment, among other things, (i) eliminates eliminated the requirement that the Company maintain a debt service coverage ratio of not less than 1.20 to 1 as of the end of each fiscal year for the fiscal year then ended and that the Company maintain a debt to cash flow ratio of not greater than 2 to 1 measured as of the end of each of the Company's fiscal quarters for the trailing 12 month period; and (ii) adds added a requirement that the Company maintain accounts with the Lender bank with a minimum aggregate liquidity of unrestricted and unencumbered cash and cash equivalents at all times of not less than the outstanding principal balance of the Company's revolving credit promissory note payable to the Lender; and (iii) waives the Company's bank. The Company was in compliance with the debt to cash flow ratio covenant for the fiscal quarter three months ended June 30, 2024 December 31, 2024. As The line of the date credit is collateralized by Clearfield, Inc.'s assets of the amendment, there was not an $291,656,000 as of December 31, 2024. The outstanding principal balance on the Company's revolving line of credit promissory note with the Lender. was zero at December 31, 2024 and September 30, 2024.

During March 2021, Nestor Cables entered into a loan agreement, providing a €2 million senior loan with a term of three years. The Finland Government pays the interest, capped at 5% with the interest to be paid by the Finnish Government when the loan is used as intended and is repayable with a 2% additional interest penalty if there is a violation of the terms. The loan expired on March 31, 2024. A new loan was issued under the same program with consistent terms as detailed above and is due on March 31, 2026. The repayment and issuance of these loans occurred in April 2024. The loan is fully secured by a Finnish government guarantee. If used for any purposes other than intended, the lender has the right to terminate the agreement and the entire outstanding balance will become due. As of June 30, 2024 December 31, 2024, and September 30, 2024, the Company owed €2,000,000 on this loan, which equates to $2,072,000 and $2,228,000, respectively. As of September 30, 2024, Nestor Cables was not in compliance with all covenants. the annual equity ratio covenant but received a waiver from the bank. The interest expense associated with this loan has been presented net of government payments on the Company's income statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future events and typically address the Company's expected future business and financial performance. Words such as "may," "plan," "expect," "aim," "believe," "project," "target," "anticipate," "intend," "estimate," "will," "should," "could," "outlook," "continue" and other words and terms of similar meaning, typically identify these forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual results could differ from those projected in any forward-looking statements because of the factors identified in and incorporated by reference *from Part I, Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024 and Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q, as well as in other filings we make with the Securities and Exchange Commission, which should be considered an integral part of Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All forward-looking statements included herein are made as the date of this Quarterly Report on Form 10-Q and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.*

The following discussion and analysis of the Company’s financial condition and results of operations as of and for the three and nine months ended June 30, 2024 December 31, 2024, and 2023 should be read in conjunction with the financial statements and related notes in Item 1 of this report and our Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024.

OVERVIEW

General

Clearfield, Inc., together with its subsidiaries, is referred to in this report as “we,” “us,” “our,” and the “Company.” We design, manufacture, and distribute fiber protection, fiber management, and fiber delivery solutions to enable rapid and cost-effective fiber-fed deployment throughout the broadband service provider space primarily across North America. Our “fiber to anywhere” platform serves the unique requirements of Community Broadband customers (Tier 2 and 3 telco carriers, utilities, municipalities, and alternative carriers), Multiple System Operators (cable television), Large Regional Service Providers (ILEC operating a multi-state network with more than 500,000 subscribers), National Carriers (wireline/wireless national telco carriers (Tier 1)), and International customers (primarily Europe, Canada, Mexico, and Caribbean Markets).

We are engaged in global operations. Our operations currently comprise of two reportable segments: the Clearfield Operating Segment (referred to herein as “Clearfield”), and the Nestor Cables Operating Segment (referred to herein as “Nestor Cables” or “Nestor”), which we established following our acquisition of Nestor Cables on July 26, 2022. Prior to July 26, 2022, we had a single reportable segment structure.

Clearfield Operating Segment

Clearfield is focused on providing fiber management, fiber protection, and fiber delivery products that accelerate the turn-up of fiber-based networks in residential homes, businesses, and network infrastructure in the wireline and wireless access network. We offer a broad portfolio of fiber products that allow service providers to build fiber networks faster, meet service delivery demands, and align build costs with take rates.

Clearfield’s products allow its customers to connect twice as many homes in their Fiber to the Home (“FTTH”) builds by using fewer resources in less time. Our products speed up the time to revenue for our service provider customers in Multiple Dwelling Units (“MDUs”) and Multiple Tenant Units (“MTUs”) by reducing the amount of labor and materials needed to provide gigabit *service. Our products help make business services more profitable through faster building access, easier reconfiguration, and quicker services turn-up. Finally, Clearfield is removing barriers to wireless 4G/5G deployments in backhaul from the tower to the cloud and fiber fronthaul from the tower to the antenna at the cell site through better fiber management, test access, and fiber protection.*

Substantially all of the final build and assembly is completed at Clearfield's plants in Brooklyn Park, Minnesota and Tijuana, Mexico, with manufacturing support from a network of domestic and global manufacturing partners. Clearfield specializes in producing these products on both a quick-turn and scheduled delivery basis.

Nestor Cables Operating Segment

As of July 26, 2022, Clearfield through its Finnish subsidiary, Clearfield Finland Oy, acquired Nestor Cables Oy. Nestor Cables is based in Oulu, Finland, with operations in Keila, Estonia through its wholly owned subsidiary, Nestor Cables Baltics OÜ. Nestor Cables manufactures fiber optic and copper telecommunication cables and equipment which it distributes to telecommunication operators, network owners, electric companies, building contractors, and industrial companies. Prior to our acquisition, Nestor Cables had been a supplier to Clearfield for over a decade and that relationship continued following the closing of the acquisition. Nestor has two types of production processes, the process of making cable in its Finland and Estonia facility and the finished assembly portion of its business performed in Estonia. Nestor Cables' customer base includes telecom operators, network owners, contractors, industries and wholesalers. Products are sold via distributors and directly to end users. Nestor Cables is subject to Finnish government regulation and Nestor Cables Baltics is subject to Estonian government regulation.

<u>RESULTS OF OPERATIONS</u>

THREE MONTHS ENDED JUNE 30, DECEMBER 31, 2024, VS. THREE MONTHS ENDED JUNE 30, DECEMBER 31, 2023

Net sales for the third quarter of fiscal 2024 three months ended June 30, 2024 December 31, 2024, were $48,793,000, a decrease $35,476,000, an increase of approximately 20% 4%, or $12,491,000, $1,246,000, from net sales of $61,284,000 $34,230,000 for the third quarter of fiscal 2023. three months ended December 31, 2023. Net sales to Broadband Service Providers were $46,028,000 $33,440,000 and $31,915,000 in the third quarter of fiscal 2024 versus $59,731,000 in the same period of fiscal 2023. three months ended December 31, 2024 and 2023, respectively. Net sales to Legacy customers were $820,000 $2,036,000 in the third quarter of 2024 three months ended December 31, 2024 versus $1,553,000 in $2,376,000 for the same period of fiscal 2023. three months ended December 31, 2023. In addition, the Company recorded $16,493,000 $6,144,000 in international sales for the third quarter of 2024 three months ended December 31, 2024 versus $14,186,000 in $6,669,000 for the same period of fiscal 2023. three months ended December 31, 2023. The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. International sales represented 34% 17% and 23% 19% of total net sales for the third quarter of 2024 three months ended December 31, 2024 and 2023, respectively.

The decrease increase in net sales for the quarter three months ended June 30, 2024 December 31, 2024, of $12,491,000 $1,246,000 compared to the quarter three months ended June 30, 2023 December 31, 2023, was primarily driven by *increased sales to National Carrier customers of $1,409,000, or 106%, Community Broadband customers of $1,029,000, or 8%, and MSO customers of $327,000, or 6%, partially offset by decreased sales to Large Regional Service Provider customers of $12,092,000, $638,000, or 76% 8%, and MSO customers of $3,637,000, or 39%, partially offset by increased sales to International customers of $2,307,000, $525,000, or 16% 8%, and Legacy customers of $355,000, or 42%. The decrease increase in sales in the Large Regional Service Provider customer National Carrier and MSO Community Broadband customer markets for the quarter three months ended June 30, 2024 December 31, 2024, as compared to the quarter three months ended June 30, 2023 December 31, 2023, is due to lower increased demand as customers digest existing products previously purchased during in the period of long lead time supply chain created by the pandemic. quarter. The increase decrease in sales to International customers was driven by increased decreased sales by the Nestor Cables segment during the current quarter.*

Order backlog as of June 30, 2024 December 31, 2024 was $32,582,000, a decrease $26,028,000, an increase of 31% 3.6% compared to $47,179,000 $25,133,000 as of March 31, 2024 September 30, 2024, and a decrease of $74,704,000 $17,423,000, or 56% 40%, from June 30, 2023 December 31, 2023. This aligns with the ordering patterns we anticipated from service providers during the winter season.

Cost of sales for the three months ended December 31, 2024 was $27,294,000, a decrease of $2,239,000, or 8%, from $29,533,000 for the three months ended December 31, 2023. Gross profit percent was 23.1% of net sales for the three months ended December 31, 2024, an increase from 13.7% of net sales for the three months ended December 31, 2023. Gross profit increased $3,486,000, or 74%, to $8,182,000 for the three months ended December 31, 2024, from $4,696,000 for the three months ended December 31, 2023. The year-over-year improvement in gross margin from the prior year quarter was due to lower excess inventory charges of $2,346,000 in the current quarter, reflecting improved inventory utilization and beneficial recoveries from previously reserved inventory.

Selling, general and administrative expenses for the three months ended December 31, 2024 were $12,158,000 in comparison to $12,859,000 for the three months ended December 31, 2023, a decrease of $701,000 or 6% as a result of cost management efforts to lower expenses.

Loss from operations for the three months ended December 31, 2024, was also $3,975,000 compared to loss from operations of $8,162,000 for the three months ended December 31, 2023, a decrease of approximately 51%. The decreased loss from operations is the result of increased net sales and gross profit margin, as well as lower selling, general and administrative expenses as explained above.

Net investment income for the three months ended December 31, 2024, was $1,744,000 compared to $2,069,000 for the three months ended December 31, 2023. The decrease in interest income is due to lower interest rates earned on investments during the quarter.

Interest expense for the three months ended December 31, 2024, remained relatively consistent at $100,000, compared to $126,000 for the three months ended December 31, 2023. Interest expense incurred during these periods is related to factoring liabilities in the Nestor segment.

The Company recorded an income tax benefit of $426,000 and $951,000 for the three months ended December 31, 2024, and 2023, respectively. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The decrease in tax benefit of $525,000 is primarily due to decreased loss from operations. The income tax expense rate for the three months ended December 31, 2024, increased to 18.3% from 15.3% recorded for the three months ended December 31, 2023, due to the lull higher percentage impact of discrete items and a lower level of pre-tax book loss in demand the first quarter.

The Company's net loss for the three months ended December 31, 2024, was $1,906,000, or $0.13 per basic and diluted share. The Company's net loss for the three months ended December 31, 2023, was $5,268,000, or $0.35 per basic and diluted share. The decrease in basic and diluted loss per share for the three months ended December 31, 2024, as customers digest previously purchased products. compared to December 31, 2023, was due to lower net loss as a result of increased net sales and gross profit margin and decreased selling, general and administrative expenses as detailed above.

Revenue from customers is obtained from purchase orders submitted from time to time, with a limited number of customers issuing purchase orders for longer time frames. time. The Company's ability to predict orders in future periods or trends affecting orders in future periods is limited. The Company's ability to predict revenue is further limited by customer deployment schedules and factors affecting customer ordering patterns, including the digestion of customer's excess inventory. The Company's ability to recognize revenue in the future for customer orders will depend on the Company's ability to manufacture and deliver products to the customers and fulfill its other contractual obligations.

Cost of sales for the third quarter of 2024 was $38,101,000, a decrease of $4,109,000, or 10%, from $42,210,000 in the comparable period of fiscal 2023. Gross profit percent was 21.9% of net sales in the third quarter of 2024, a decrease from 31.1% of net sales for the third quarter of 2023. Gross profit decreased $8,382,000, or 44%, to $10,692,000 for the three months ended June 30, 2024, from $19,074,000 in the comparable period in fiscal 2023. The Company's gross profit was negatively impacted by an increase in inventory reserves future financial results, particularly cost of $1,154,000 during the three months ended June 30, 2024. While gross margin was down from the year ago quarter, it showed a significant improvement from the previous quarter due to improved production capacity and lower excess inventory charges due to better utilization from higher revenue in the quarter.

Selling, general and administrative expenses decreased $450,000, or 3%, to $12,999,000 in the third quarter of 2024 from $13,449,000 for the third quarter of 2023.

Loss from operations for the quarter ended June 30, 2024, was $2,307,000 compared to income from operations of $5,625,000 for the comparable quarter of fiscal 2023, a decrease of approximately 141%. The decrease is the result of decreased net sales and gross profit, margin as explained above.

Net investment income for the quarter ended June 30, 2024, was $1,735,000 compared to $1,630,000 for the comparable quarter for fiscal 2023. The increase in interest income is due to higher interest rates earned during the three months ended June 30, 2024, as compared to the prior year quarter.

Interest expense for the quarter ended June 30, 2024, remained relatively consistent at $153,000, compared to $195,000 for the comparable period of fiscal 2023. Interest expense incurred during these periods is related to factoring liabilities in the Nestor segment.

The Company recorded an income tax benefit of $277,000 and an income tax expense of $1,842,000 for the three months ended June 30, 2024, and 2023, respectively. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The decrease in tax expense of $2,119,000 in the third quarter of fiscal 2024 from the third quarter of fiscal 2023 is primarily due to decreased income from operations. The income tax expense rate for the third quarter of fiscal 2024 increased to 38.2% from 26.1% recorded in the third quarter of fiscal 2023 due to the higher percentage impact of discrete items due to a low level of pre-tax book loss in the third quarter.

The Company's net loss for the three months ended June 30, 2024, was $447,000, or $0.04 per basic and diluted share. The Company's net income for the three months ended June 30, 2023, was $5,218,000, or $0.33 per basic and diluted share. The decrease in basic and diluted earnings per share for the three months ended June 30, 2024, as compared to June 30, 2023, was *due to lower net income as a result of decreased net sales and gross profit margin and increased selling, general and administrative expenses as detailed above.*

NINE MONTHS ENDED JUNE 30, 2024 VS. NINE MONTHS ENDED JUNE 30, 2023

Net sales for the nine months ended June 30, 2024, were $119,933,000, a decrease of approximately 45%, or $99,102,000, from net sales of $219,035,000 for the nine months ended June 30, 2023. Net sales to Broadband Service Providers were $112,203,000 in the nine months ended June 30, 2024, versus $211,231,000 in the same period of fiscal 2023. Among this group, the Company recorded $33,110,000 in international sales for the nine months ended June 30, 2024, versus $37,527,000 in the same period of fiscal 2023. The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. Accordingly, international sales represented 28% and 17% of total net sales for the nine months ended June 30, 2024, and June 30, 2023, respectively. Net sales to Legacy customers were $2,310,000 in the nine months ended June 30, 2024, versus $7,804,000 in the same period of fiscal 2023.

The decrease in net sales for the nine months ended June 30, 2024, of $99,102,000 compared to the nine months ended June 30, 2023, was primarily driven by decreased sales to Community Broadband Service Providers of $41,244,000, or 46%, Large Regional customers of $28,511,000, or 66%, MSO customers of $24,289,000, or 60%, and International customers of $4,417,000, or 12%. The decrease in sales across these markets for the quarter ended June 30, 2024, as compared to the quarter ended June 30, 2023, is mainly due to lower demand as customers digest existing products previously purchased during the period of long lead time supply chain created by the pandemic.

Revenue from customers is obtained from purchase orders submitted from time to time, with a limited number of customers issuing purchase orders for longer time frames. The Company's ability to predict orders in future periods or trends affecting orders in future periods is limited. The Company's ability to predict revenue is further limited by global supply chain issues, customer deployment schedules and factors affecting customer ordering patterns including the digestion of customer's excess inventory. The Company's ability to recognize revenue in the future for customer orders will depend on the Company's ability to manufacture and deliver products to the customers and fulfill its other contractual obligations.

Cost of sales for the nine months ended June 30, 2024, was $101,712,000, a decrease of $44,038,000, or 30%, from $145,750,000 in the comparable period of fiscal 2023. Gross profit percent was 15.2% of net sales for the nine months ended June 30, 2024, a decrease from 33.5% of net sales for the nine months ended June 30, 2023. Gross profit decreased $55,064,000, or 75%, to $18,221,000 for the nine months ended June 30, 2024, from $73,285,000 in the comparable period in fiscal 2023. Gross profit margin was negatively affected by unabsorbed overhead in our manufacturing facilities due to lower levels of demand. The Company's gross profit was also would be negatively impacted by an increase in inventory reserves of $8,944,000 during the nine months ended June 30, 2024. Inventory reserves are primarily due any tariffs that may be imposed on imports from Mexico where we have substantial manufacturing operations or, to excess inventory due to the lull in demand while customers draw down their existing products previously purchased during the period of long lead time supply chain created a lesser extent, by tariffs that may be imposed on imports from certain other countries. Tariffs by the pandemic.

Selling, general U.S. government and administrative expenses increased $724,000, any retaliatory tariffs on U.S. goods also may cause customers to delay or 2%, suspend orders or seek less expensive alternatives to $38,430,000 in our products, which may negatively impact our future revenue. The current situation is dynamic, and the nine months ended June 30, 2024, from $37,714,000 for ultimate impact will be dependent on the comparable period products and countries covered by tariffs, tariff rates, and duration of fiscal 2023.

Loss from operations for the nine months ended June 30, 2024, was $20,210,000 compared to income from operations tariffs, all of $35,571,000 for the comparable quarter of fiscal 2023, a decrease of 157%. The decrease is the result of decreased net sales and gross profit margin and increased selling, general and administrative expenses explained above.

Net investment income for the nine months ended June 30, 2024, was $5,653,000 compared to $3,328,000 for the comparable quarter for fiscal 2023. The increase in interest income is due to higher interest rates earned and a higher average investments balance in the nine months ended June 30, 2024. The higher investments balance is a result of the Company's capital raise of $130,262,000 completed late in the first fiscal quarter of 2023.

Interest expense for the nine months ended June 30, 2024, was $381,000 compared to $551,000 for the comparable quarter of fiscal 2023. The decrease was due to repayment of the Company's line of credit in December 2022, which had been previously drawn on for the acquisition of Nestor Cables, following the Company's secondary offering completed in December 2023.

The Company recorded an income tax benefit of $3,311,000 and an income tax expense of $8,511,000 for the nine months ended June 30, 2024, and 2023, respectively. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The decrease in tax expense of $11,822,000 in the third quarter of fiscal 2024 from the third quarter of fiscal 2023 is primarily due to decreased income from operations. The income tax expense rate for the nine months ended June 30, 2024, and 2023 remained unchanged at 22.2%.

The Company's net loss for the nine months ended June 30, 2024, was $11,626,000, or $0.79 per basic share and per diluted share. The Company's net income for the nine months ended June 30, 2023, was $29,837,000, or $2.01 per basic share or $2.00 per diluted share. The decrease in basic and diluted earnings per share for the nine months ended June 30, 2024, as compared to June 30, 2023, was due to lower net income as a result of lower sales, lower gross profit margin and higher selling, general and administrative expenses as detailed above. are currently unknown.

Reportable Segments

The Company's reportable segments are based on the Company's method of internal reporting. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. The internal reporting of these operating segments is defined based, in part, on the reporting and review process used by the Company's Chief Executive Officer.

Reportable segments are as follows:

- ***Clearfield Segment*** *– The Clearfield segment designs, manufactures, and sells fiber management, protection, and delivery solutions. For the three months ended June 30, 2024 December 31, 2024, and 2023, net sales from the Clearfield segment comprised 69% 84% and 78% of the Company's total net sales, respectively. For the nine months ended June 30, 2024, and 2023, net sales from the Clearfield segment compromised 75% and 85% 82% of the Company's total net sales, respectively.*

- ***Nestor Cables Segment*** *–The Nestor Cables segment designs, manufactures, and sells fiber optic and copper telecommunication cables and equipment. For the three months ended June 30, 2024 December 31, 2024, and 2023, net sales from the Nestor Cables segment comprised 31% 16% and 22% of the Company's total net sales, respectively. For the nine months ended June 30, 2024, and 2023, net sales from the Nestor Cables segment compromised 25% and 15% 18% of the Company's total net sales, respectively.*

Clearfield Segment

The following table provides net sales and net income for the Clearfield segment for the three and nine months ended:

(In thousands)	*Three Months Ended June 30, 2024*	*Three Months Ended June 30, 2023*	*Nine months Ended June 30, 2024*	*Nine months Ended June 30, 2023*
Segment net external sales	*$ 33,670*	*$ 47,856*	*$ 89,371*	*$ 186,662*
Segment net (loss) income	*$ (196)*	*$ 5,150*	*$ (8,464)*	*$ 30,263*

(In thousands)	*December 31, 2024*	*Decen 20*
Segment net sales	*$ 29,698*	*$*
Segment net loss	*(355)*	

Net sales in the Clearfield segment decreased 30% increased 6%, or $14,186,000, $1,597,000, for the three months ended June 30, 2024 December 31, 2024, as compared to the three months ended June 30, 2023. Net sales in the Clearfield segment decreased 52%, or $97,291,000, for the nine months ended June 30, 2024, as compared to the nine months ended June 30, 2023 December 31, 2023, resulting from decreased increased sales to its National Carrier and Community Broadband MSO/Cable TV, and Large Regional customers as these customers work to digest inventory that was purchased previously during both markets had increased demand in the period of long lead time supply chain created by the pandemic. quarter.

Net income (loss) loss in the Clearfield segment for the three months ended June 30, 2024 December 31, 2024, decreased 109% 89%, or $5,627,000, $2,938,000, as compared to the three months ended June 30, 2023. Net income (loss) in the Clearfield segment for the nine months ended June 30, 2024, decreased 129%, or $39,125,000, as compared to the nine months ended June 30, 2023 December 31, 2023, driven by the changes in sales outlined above, as well as lower increased gross profit margin which was negatively positively affected by the buildup in capacity that was not utilized and increased reserves decreased provision for excess inventory. inventory reserves of $2,455,000.

Nestor Cables Segment

The following table provides net sales and net income for the Nestor Cables segment for the three and nine months ended:

(In thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine months Ended June 30, 2024	Nine months Ended June 30, 2023		
(In thousands)					December 31, 2024	December 31, 2023
Segment net external sales	$ 15,123	$ 13,428	$ 30,562	$ 32,373	$ 5,778	$ 6,129
Segment net (loss) income	$ (252)	$ 68	$ (3,162)	$ (426)		
Segment net loss					$ (1,551)	$ (1,975)

Net sales in the Nestor Cables segment increased 13%, or $1,695,000, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, excluding sales to the Clearfield Segment. Net sales in the Nestor Cables segment decreased 6%, or $1,810,000 $351,000, for the nine three months ended June 30, 2024 December 31, 2024, as compared to the nine three months ended June 30, 2023 December 31, 2023, excluding sales to the Clearfield Segment. The decrease in net sales for the Nestor Cables segment was driven by decreased demand in the quarter.

Net loss in the Nestor Cables segment for the three months ended June 30, 2024 December 31, 2024, increased 55% decreased 21%, or $38,000, $424,000, as compared to the three months ended June 30, 2023. Net loss in the Nestor Cables segment for the nine months ended June 30, 2024, increased 549%, or $2,338,000, as compared to the nine months ended June 30, 2023 December 31, 2023.

Liquidity and Capital Resources

As of June 30, 2024 December 31, 2024, our principal source of liquidity was our cash, cash equivalents, and short-term investments. These sources total $123,819,000 $113,014,000 as of June 30, 2024 December 31, 2024, compared to $168,113,000 $130,992,000 as of September 30, 2023 September 30, 2024. Additionally, we have a line of credit for $40 million that has no outstanding borrowing as of June 30, 2024 December 31, 2024. Our excess cash is invested mainly in U.S. Treasury securities, certificates of deposit backed by the FDIC, U.S. Treasury securities, and money market funds. Investments considered long-term were $24,180,000 $41,916,000 as of June 30, 2024 December 31, 2024, compared to $6,343,000 $24,505,000 as of September 30, 2023 September 30, 2024. We believe the combined balances of short-term cash and investments, long-term investments, along with our line of credit provide a more accurate indication of our available liquidity. As of June 30, 2024 December 31, 2024, our cash, cash equivalents, and short-term and long-term investments totaled $147,999,000, $154,930,000, compared to $174,456,000 $155,497,000 as of September 30, 2023 September 30, 2024.

We believe our existing cash equivalents, short-term investments, and line of credit facility along with cash flow from operations will be sufficient to meet our working capital and investment requirements beyond the next 12 months. The Company intends on utilizing its available cash and assets primarily for its continued organic growth, potential future strategic transactions, and the Company's share repurchase program.

Operating Activities

Net cash provided by operating activities totaled $8,464,000 $7,150,000 for the nine three months ended June 30, 2024 December 31, 2024. This consisted of a net loss of $11,626,000, $1,906,000, non-cash expenses for depreciation and amortization of $5,481,000, $1,838,000, stock-based compensation of $3,437,000, $1,139,000, amortization of discounts on investments of $3,304,000 $766,000 and increased deferred income taxes of $3,523,000, $544,000, in addition to changes in operating assets and liabilities providing and using cash. The primary change in operating assets and liabilities providing cash was a decrease in inventory of $23,440,000 $6,871,000 and a decrease in accounts payable and accrued expenses receivable of $1,643,000. $6,873,000. The decrease in inventory is due to decreased inventory purchases during the nine three months ending June 30, 2024 ended December 31, 2024, as the Company utilizes inventory on hand to fulfill customer orders and achieve lower stocking levels. The decrease in accounts receivable is due to decreased net sales during the three months ended December 31, 2024. Days sales outstanding, which measures how quickly receivables are collected, decreased 11 days to 36 days as of December 31, 2024, compared to 47 days from December 31, 2023. The primary change in operating assets and liabilities using cash was a decrease in accounts payable and accrued expenses of $5,328,000 due to timing of payments and the payment of fiscal year 2024 incentive compensation accruals during the three months ended December 31, 2024, along with an increase in other assets of $1,027,000, related to the increases in prepaid taxes and prepaid expenses.

Net cash provided by operating activities totaled $10,800,000 for the three months ended December 31, 2023. This consisted of a net loss of $5,268,000, non-cash expenses for depreciation and amortization of $1,651,000, stock-based compensation of $1,271,000 and amortization of discounts on investments of $1,160,000, in addition to changes in operating assets and liabilities providing and using cash. The primary change in operating assets and liabilities providing cash was a decrease in accounts receivable of $11,750,000, and a decrease in inventory of $4,169,000. The decrease in accounts receivable is due to the decrease in sales volume in the three months ended December 31, 2023. Days sales outstanding decreased 6 days to 47 days as of December 31, 2023, compared to 53 days from September 30, 2023. The decrease in inventory is due to decreased inventory purchases in the three months ended December 31, 2023 as the Company utilizes inventory on hand to fulfill customer orders and achieve lower stocking levels to support the decreased sales order backlog, as well as higher excess inventory reserves. The primary change in operating assets and liabilities using cash was an increase in other assets of $8,030,000, related to the increases in prepaid taxes and prepaid expenses.

Net cash provided by operating activities totaled $13,481,000 for the nine months ended June 30, 2023. This was primarily due to net income of $29,837,000, non-cash expenses for depreciation and amortization of $4,411,000, stock-based compensation of $2,504,000, and non-cash income related to amortization of discounts on investments of $2,429,000, in addition to changes in operating assets and liabilities providing and using cash. The primary change in operating assets and liabilities using cash was a decrease in accounts payable and accrued expenses of $20,326,000 and an increase in inventory of $21,510,000. The decrease in accounts payable and accrued expenses is $2,108,000, due to the timing of payments to vendors. The Company increased stocking levels of vendors and lower inventory during purchases in the quarter ending June 30, 2023, to support previously anticipated demand. The primary change in operating assets and liabilities providing cash was a decrease in accounts receivable of $24,519,000. Days sales outstanding, which measures how quickly receivables are collected, decreased 5 days to 47 days as of June 30, 2023, compared to 52 days from September 30, 2022 three months ended December 31, 2023.

Investing Activities

We invest our excess cash in money market accounts, U.S. Treasury securities, money market funds, and bank certificates of deposit in denominations across numerous banks. We believe we obtain a competitive rate of return given the economic climate and relative risk profile of these investments. During the nine three months ended June 30, 2024 December 31, 2024, we received proceeds from the maturity of investment securities of $142,067,000 $54,476,000 and used cash to purchase $124,137,000 $39,015,000 of investment securities. Purchases of property, plant, and equipment, mainly related to manufacturing equipment and intangible assets, consumed $5,608,000 $2,069,000 of cash during the nine three months ended June 30, 2024 December 31, 2024.

During For the nine three months ended June 30, 2023 December 31, 2023, we received proceeds from maturities the maturity of investments investment securities of $105,077,000 $51,068,000 and used cash to purchase $210,923,000 $47,748,000 of investment securities. Purchases of property, plant, and equipment, mainly related to manufacturing equipment and intangible assets, consumed $6,529,000 $2,412,000 of cash during for the nine three months ended June 30, 2023 December 31, 2023.

Financing Activities

For the nine three months ended June 30, 2024 December 31, 2024, we used cash to repurchase $33,374,000 $6,275,000 of our common stock on the open market under our stock repurchase program, which includes U.S. Federal excise taxes. We received $586,000 $301,000 from employees' participation and purchase of stock through our ESPP and used $240,000 $491,000 for payment of withholding taxes for vesting of restricted stock grants, and used $9,000 related to share withholding for the exercise price and taxes associated with the issuance grants. The Company also borrowed cash of common stock upon cashless exercises $77,000 on repayments on factored accounts receivables, net of stock options. borrowings.

For the nine three months ended June 30, 2023 December 31, 2023, we received $130,262,000 used cash to repurchase $12,184,000 of our common stock on the open market under our stock repurchase program. The Company also used cash of $2,972,000 on repayments on factored accounts receivables, net proceeds through the issuance of common stock. We used $16,700,000 to pay down the principal on our line of credit, which was originally drawn in the fourth quarter of fiscal 2022 to fund the acquisition of Nestor Cables. borrowings. We received $612,000 $250,000 from employees' participation and purchase of stock through our ESPP we received $954,000 related to the issuance of stock as payment for incentive compensation previously earned, we used $493,000 related to share withholding for the exercise price and taxes associated with the issuance of common stock upon cashless exercises of stock options and used $954,000 to pay $236,000 for payment of withholding taxes as a result of employees' for vesting of restricted shares using share withholding. We did not repurchase common stock under our share repurchase program in the nine months ended June 30, 2023. grants.

CRITICAL ACCOUNTING ESTIMATES

Management utilizes its technical knowledge, cumulative business experience, judgment and other factors in the selection and application of the Company's accounting estimates. The accounting estimates considered by management to be the most critical to the presentation of the financial statements because they require the most difficult, subjective, and complex judgments include the fair value of investments, stock-based compensation, and valuation of inventory, long-lived assets, finite lived intangible assets and goodwill.

These accounting estimates are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024. Management made no changes to the Company's critical accounting estimates during the quarter three months ended June 30, 2024 December 31, 2024.

In applying its critical accounting estimates, management reassesses its estimates each reporting period based on available information. Changes in these estimates did not have a significant impact on earnings for the quarter three months ended June 30, 2024 December 31, 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Clearfield is exposed to market risk due to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, and commodity prices. Changes in those factors could impact the Company's results of operations and financial condition. For a discussion of sensitivity analysis related to these types of market risks, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024. There have been no material changes in information that would have been provided in the context of Item 3 for the quarter three months ended June 30, 2024 December 31, 2024.

The Company currently invests its excess cash in bank certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and United States Treasury securities with terms of not more than five years, as well as money market funds. The fair value of these investments fluctuates subject to changes in market interest rates.

Foreign Exchange Rates
The Company uses the U.S. Dollar as its reporting currency. The functional currency of Nestor Cables is the Euro. The changing relationships of the U.S. Dollar to the Euro could have a material impact on our financial results. Fluctuations in the Euro to U.S. Dollar exchange rate impacts our condensed consolidated balance sheets, as well as sales, cost of sales, and net income. If the Euro had appreciated or depreciated by 10% relative to the U.S. Dollar, our operating expenses for the three months ended June 30, 2024 December 31, 2024, would have increased or decreased by approximately $164,000 and $544,000, $144,000, or approximately 1%, for the three and nine months ended June 30, 2024, respectively. December 31, 2024. We do not hedge against foreign currency fluctuations. As such, fluctuations in foreign currency exchange rates could have a material impact on the Company's condensed consolidated financial statements.

Inflation

Rising costs, including wages, logistics, components, and commodity prices, are negatively impacting our profitability. We are subject to market risk from fluctuating market prices of certain purchased commodities and raw materials such as fiber cable and other components, which has outpaced our ability to reduce the cost structure and manufacturability or increase prices. We do not hedge commodity prices. Accordingly, inflation impacts our profitability, including cost of sales and operating expenses, and may have a material impact on the Company's condensed consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2024 December 31, 2024. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, that occurred during the quarter three months ended June 30, 2024 December 31, 2024, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon its financial position or results of operations.

ITEM 1A. RISK FACTORS

The most significant risk factors applicable to the Company are described in Part II, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended September 30, 2023 September 30, 2024. There have been no material changes from the risk factors previously disclosed.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company repurchased shares of stock associated with exercise and satisfaction of employee tax withholding requirements on vesting or exercise of equity awards under the Company's Stock Compensation Plans for the three months ended June 30, 2024December 31, 2024, as well as the repurchase of shares on the open market under the Company's stock repurchase program. Accordingly, the Company's purchases of equity securities for the three months ended June 30, 2024December 31, 2024, were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	***Total Number of Shares Purchased***	***Average Price Paid per Share***	***Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs***	***Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)***
April 1-30, 2024	*180,621*	*$ 29.70*	*180,621*	*$ 25,067,195*
May 1-31, 2024	*4,130*	*$ 34.93*	*4,130*	*$ 24,922,929*
June 1-30, 2024	*-*	*-*	*-*	*$ 24,922,929*
Total	*184,751*	*$ 29.81*	*184,751*	*$ 24,922,929*

(1) Effective April 30, 2024, the Company's board of directors increased the share repurchase program to an aggregate of $65 million from the prior $40 million.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	***Total Number of Shares Purchased***	***Average Price Paid per Share***	***Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs***	***Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)***
October 1-31, 2024	*-*	*-*	*-*	*$ 24,923,000*
November 1-30, 2024	*55,879*	*$ 31.23*	*38,500*	*$ 23,669,000*
December 1-31, 2024	*157,930*	*$ 31.52*	*157,930*	*$ 18,691,000*

Total	*213,809*	*$*	*31.45*	*196,430*	*$*	*18,691,000*

(1) Effective April 30, 2024, the Company's board of directors increased the share repurchase program to an aggregate of $65 million from the prior $40 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the quarter three months ended June 30, 2024 December 31, 2024, none of our directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408(a).

On August 5, 2024, the Company entered into an Amendment No. 1 to Loan Agreement that amends its Loan Agreement dated April 27, 2022 with Bremer Bank, National Association (the "Lender"). The amendment, among other things, (i) eliminates the requirement that the Company maintain a debt service coverage ratio of not less than 1.20 to 1 as of the end of each fiscal year for the fiscal year then ended and that the Company maintain a debt to cash flow ratio of not greater than 2 to 1 measured as of the end of each of the Company's fiscal quarters for the trailing 12 month period; (ii) adds a requirement that the Company maintain accounts with the Lender with a minimum aggregate liquidity of unrestricted and unencumbered cash and cash equivalents at all times of not less than the outstanding principal balance of the Company's revolving credit promissory note payable to the Lender; and (iii) waives the Company's compliance with the debt to cash flow ratio for the fiscal quarter ended June 30, 2024. As of the date of the amendment, there was not an outstanding principal balance on the Company's revolving credit promissory note with the Lender.

The foregoing summary of the amendment to the loan agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the amendment to the loan agreement, which is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

ITEM 6. EXHIBITS

3.1 – Restated Articles of Incorporation of APA Optics, Inc. (n/k/a Clearfield, Inc.) dated November 3, 1983, and Articles of Amendment dated December 9, 1983, July 30, 1987, March 22, 1989, September 14, 1994 and August 17, 2000. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)

3.1(a) – Articles of Amendment to Articles of Incorporation dated August 25, 2004. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.)

3.2 – Amended and Restated Bylaws of Clearfield, Inc. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 25, 2016 February 26, 2016.)

10.1 – Lease Form of Performance Stock Unit Award Agreement dated April 4, 2024, by and among Prisma Shelter, S. de R.L. de C.V., adopted November 25, 2024 under the Clearfield, Inc., and Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero Actinver, solely in its capacity as Trustee of Trust No. 3218. 2022 Stock Compensation Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 9, 2024 November 26, 2024.)
10.2 – Amendment No. 1 to Loan Agreement dated August 5, 2024 by and between Clearfield, Inc. and Bremer Bank, National Association.

31.1 – Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act

31.2 – Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act

32.1 – Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350

101 – The following materials from Clearfield, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2024 December 31, 2024 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2024 December 31, 2024 and 2023; (ii) Condensed Consolidated Statements of Earnings for the three and nine months ended June 30, 2024 December 31, 2024 and 2023; (iii) Condensed Consolidated Statements of Shareholders' Equity for the three and nine months ended June 30, 2024 December 31, 2024 and 2023; (iv) Condensed Consolidated Statements of Cash Flows for the nine three months ended June 30, 2024 December 31, 2024 and 2023; and (v) Notes to the Condensed Consolidated Financial Statements.

104 - Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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.

CLEARFIELD, INC.

August 6, 2024 February 7, 2025 *|* */s/ /s/ Cheryl Beranek*

By: Cheryl Beranek

Its: President and Chief Executive Officer

(Principal Executive Officer)

August 6, 2024February 7, 2025

/s/ Daniel Herzog

By: Daniel Herzog

Its: Chief Financial Officer

(Principal Financial and Accounting Officer)

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Exhibit 10.2

AMENDMENT NO. 1 TO LOAN AGREEMENT

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT dated as of August 5, 2024, by and between Clearfield, Inc., a Minnesota corporation (“Borrower”) and Bremer Bank, National Association, a national banking association ("Bank").

RECITALS:

WHEREAS, the Borrower and the Bank are parties to that certain Loan Agreement dated April 27, 2022 ("Loan Agreement");

WHEREAS, the Borrower has requested to amend the Loan Agreement; and WHEREAS, the Bank is willing to agree to Borrower’s requests on the condition that the Loan Agreement be amended as provided herein.

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt of which is hereby acknowledged by each of the parties hereto, the Loan Agreement is hereby amended as follows:

1. Definitions.

(a) All capitalized terms used herein shall have the meaning ascribed to them in the Loan Agreement unless otherwise specifically defined herein.

(b) The following new Subsection is hereby added to Section 1 of the Loan Agreement to provide as follows:

“1.12 Amendment No. 1 to Loan Agreement. That certain Amendment No. 1 to Loan Agreement dated August 5, 2024 executed by the Borrower and the Bank (“Amendment No. 1 to Loan Agreement”).”

2. Amendments.

(a) Section 2.1 of the Loan Agreement is hereby amended and restated to provide as follows:

“2.1 Revolving Credit Loan. When the Borrower has submitted all documentation required by Section 1 hereof in form and substance acceptable to the Bank on or before the date specified for such delivery, and subject to the other terms and conditions hereof, the Bank shall lend to the Borrower and the Borrower may borrow from the Bank against the Note, and repay and reborrow regardless of the cumulative amount of advances against the Note, up to a maximum amount not to exceed the lesser of ("Maximum Available Borrowings"):

(a) $40,000,000.00, less the Letter of Credit Obligations, as hereinafter defined; or *(b) the aggregate collected balance of the Liquidity Accounts, as hereinafter defined, <u>less</u> the Letter of Credit Obligations, as hereinafter defined."*

(b) Section 2.7 of the Loan Agreement is hereby amended and restated to provide as follows:

"2.7 <u>Computations</u>. Interest on the Note is computed on an actual/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under the Note is computed using this method."

(c) Section 4.11 of the Loan Agreement is hereby deleted.

(d) Section 4.12 of the Loan Agreement is hereby deleted.

(e) A new Section 4.15 is hereby added to the Loan Agreement to provide as follows:

"4.15 <u>Liquidity</u>. Open and maintain accounts with the Bank (collectively, the "Liquidity Accounts") with a minimum aggregate Liquidity at all times of not less than the outstanding principal balance of the Note ("Minimum Balance"). For the purposes hereof, "Liquidity" shall mean the market value of unrestricted and unencumbered cash and cash equivalents acceptable to the Bank in its sole and absolute discretion. The Borrower hereby pledges to, and grants to, the Bank a security interest in the Liquidity Accounts and all proceeds thereof, as security for the payment of the Note and all other obligations now existing or hereafter arising of the Borrower to the Bank under this Agreement, the Note and any other Loan Documents (collectively the "Obligations"). The Bank shall have all the rights of a secured party under the Minnesota Uniform Commercial Code with respect to such security interest."

(f) Section 7.4 of the Loan Agreement is hereby amended to change notice to the Bank to provide as follows:

"If to Bank:	*Bremer Bank, National Association* *1995 Rahncliff Court* *Eagan, Minnesota 55123* *Attn: Laura J. Helmueller*
With a copy to:	*GDO Law* *4770 White Bear Parkway* *White Bear Lake, Minnesota 55110* *Attn: James F. Christoffel and Peter B. Tiede"*

(g) Exhibit B to the Loan Agreement is hereby replaced with Exhibit A attached hereto.

(h) Exhibit D to the Loan Agreement is hereby replaced with Exhibit B attached hereto.

3. <u>Waiver</u>. The Borrower has requested and the Bank has agreed to waive compliance with Section 4.12 of the Loan Agreement for the fiscal quarter ended June 30, 2024.

4. <u>Confirmation of Security Agreement</u>. The Borrower confirms that the obligations of the Borrower to the Bank hereunder and pursuant to the Note constitute "Obligations" within the meaning of that certain Security Agreement issued by the Borrower in favor of the Bank dated April 27, 2022. The Borrower further confirms that upon an occurrence of an "Event of Default" hereunder or under the Note, it shall constitute an Event of Default under the Security Agreement and will entitle the Bank to exercise all of its rights and remedies under the Security Agreement and applicable law.

5. <u>Reimbursement of Costs and Expenses</u>. The Borrower shall promptly reimburse Bank for any and all reasonable expenses, fees and disbursements, including attorneys' fees, incurred in connection with the preparation and performance of *this Amendment No. 1 to Loan Agreement and the instruments and documents related thereto, and all expenses of collection of any loans made or to be made hereunder, including reasonable attorneys' fees.*

6. Effective Date. The amendment provided for herein shall be effective as of the date hereof, except as specifically provided for herein.

7. No Defaults. After giving effect to this Amendment No. 1 to Loan Agreement, the Borrower hereby represents and warrants to the Bank that no Default or Event of Default has occurred or is continuing under the Loan Agreement, as amended hereby, and no event has occurred which with the passage of time or giving of notice would mature into a Default or an Event of Default.

8. References. All references in the Note and all other Loan Documents to the Loan Agreement shall mean the Loan Agreement as amended by this Amendment No. 1 to Loan Agreement.

9. Representations and Warranties. The Borrower hereby restates and reaffirms to the Bank all the representations and warranties contained in the Loan Agreement the same as if made on the date hereof and fully set forth herein. Borrower further confirms, acknowledges and agrees that it has waived for the benefit of the Bank and its successors and assigns, all defenses, offsets, counterclaims and causes of action of every kind and character it may have had, may now have or may have in the future with respect to its obligations to pay and perform under the Note, the Loan Agreement and the Loan Documents or the transactions evidenced or secured thereby.

10. No Other Amendments. Except as specifically amended herein, all of the terms, covenants and conditions of the Loan Agreement remain in full force and effect.

11. Recitals. The above recitals are true and correct as of the date hereof and constitute a part of this Agreement.

(signature page to follow)

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No.1 to Loan Agreement as of the date and year first written above.

Clearfield, Inc.

By /s/ Daniel R. Herzog
Daniel R. Herzog
Its Chief Financial Officer

Bremer Bank, National Association

By /s/ Laura J. Helmueller
Laura J. Helmueller
Its Senior Vice President

EXHIBIT A

EXCEPTIONS TO SECTIONS 3.3, 3.5 AND 5.3

As to Sections 3.3 and 5.3:

Creditor	Goods Covered	Financing Statement
MUFG Union Bank, N.A.	Specific Receivables	#1236046200379

As to Section 3.5:

(Subsidiaries)

Clearfield Finland Oy

Nestor Cables Oy

Nestor Cables Baltics OÜ

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: Bremer Bank, National Association, a national banking association ("Bank")

Pursuant to that certain Loan Agreement dated April 27, 2022 by and between Clearfield, Inc., a Minnesota corporation ("Borrower") and the Bank, as amended by that certain Amendment No. 1 to Loan Agreement dated August 5, 2024 and any amendments thereto and extensions thereof ("Loan Agreement"), the Borrower hereby:

A. Repeats and reaffirms to the Bank each and all of the representations and warranties made by the Borrower in the Loan Agreement and the agreements related thereto, and certifies to the Bank that each and all of said warranties and representations are true and correct in all material respects as of the date hereof; and

B. Certifies that the following computations of financial covenants and tests contained in the Loan Agreement and related documents are as follows:

Liquidity:

a) $ ____________________________

Required: Not less than the outstanding balance of the Note (Section 4.15)

All capitalized terms not defined herein shall have the meaning ascribed to them in the Loan Agreement.

The undersigned further confirms that no Event of Default has occurred or is continuing and no event which with the giving of notice or the passage of time or both would mature into an Event of Default has occurred or is continuing.

Clearfield, Inc.

By ____

Its ____

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Exhibit 31.1

CERTIFICATION

I, Cheryl Beranek, certify that:

1. *I have reviewed this Quarterly Report on Form 10-Q of Clearfield, 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 the 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.*

August 6, 2024 February 7, 2025

/s/ /s/ Cheryl Beranek

By: Cheryl Beranek, President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Daniel Herzog, certify that:

1. *I have reviewed this Quarterly Report on Form 10-Q of Clearfield, 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 the 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.

August 6, 2024 February 7, 2025

/s/ /s/ Daniel Herzog

By: Daniel Herzog, Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned certify pursuant to 18 U.S.C. § 1350, that:

(1) The accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2024 December 31, 2024, of Clearfield, Inc. (the "Company") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

August 6, 2024 February 7, 2025

/s/ /s/ Cheryl Beranek

By: Cheryl Beranek, President and Chief Executive Officer

(Principal Executive Officer)

August 6, 2024 February 7, 2025

/s/ Daniel Herzog

By: Daniel Herzog, Chief Financial Officer

(Principal Financial and Accounting Officer)

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