

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

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2024

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 0-16106

CLEARFIELD, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1347235

(I.R.S. Employer Identification No.)

**7050 Winnetka Avenue North
Suite 100**

Brooklyn Park, Minnesota
(Address of principal executive offices)

55428

(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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES NO

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

YES NO

The aggregate market value of the voting and non-voting equity held by non-affiliates of the registrant as of March 31, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$ 371,193,447 based on the closing sale price per share of the registrant's Common Stock on the Nasdaq Global Market on such date.

As of November 8, 2024, there were 14,288,607 shares of the issuer's common stock outstanding.

Documents Incorporated by Reference:

Portions of our proxy statement for the 2025 Annual Meeting of Shareholders, to be filed within 120 days after the end of the fiscal year covered by this report, are incorporated by reference into Part III.

CLEARFIELD, INC.

ANNUAL REPORT ON FORM 10-K
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PART I

Cautionary Note Regarding Forward-Looking Statements

Clearfield, Inc., together with its subsidiaries, is referred to in this report as "we," "us," "our," and the "Company." We make statements from time to time regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "aims," "should," "could" or similar expressions identify forward-looking statements. Forward-looking statements may appear in documents, reports, filings with the Securities and Exchange Commission (SEC), news releases, written or oral presentations made by our authorized officers or other representatives. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Our future results, including results expressed in or implied by forward-looking statements, involve a number of risks and uncertainties. Forward-looking statements are not guarantees of future actions, outcomes, results, or performance. Any forward-looking statement made by us or on our behalf speaks only as of the date on which such statement is made. We do not undertake any obligation to update or keep current any forward-looking statement to reflect events or circumstances arising after the date of such statement, except as required by law.

In addition to the factors identified or described by us from time to time in filings with the SEC, there are many important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or the results expressed in or implied by any forward-looking statements. These important factors are described below under Part I, Item 1A. "Risk Factors."

ITEM 1. BUSINESS

Company Overview

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).

Our mission is to enable the lifestyle that better broadband provides through innovative product design that accelerates fiber-based deployment, making communications simpler and more affordable for people everywhere. We believe our products offer broadband service providers a competitive advantage at a crucial time when demand for fiber-based services is increasing to historic levels as providers focus on passing and connecting more homes. We are driven to help broadband service providers reduce the cost - and increase the speed of fiber deployment.

Segments

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").

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

Nestor Cables is based in Oulu, Finland, with operations in 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. 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.

Products

Our product strategy involves analyzing the broadband communications industry environment and technology, with a particular focus on simplifying our customers' business, and developing innovative, high-quality products utilizing modular designs wherever possible. We are committed to make fiber deployment success easier by providing craft-friendly, pre-connectorized plug-and-play fiber assemblies, fiber management and pathway products to speed deployments and provide the lowest total cost of ownership for our customer's networks. With the innovation of forward-thinking products, a 100 percent plug-and-play platform and creative deployment methods, we are fulfilling our mission to enable the lifestyle that better broadband provides.

Throughout the fiber deployment journey from the Inside Plant (ISP) to the Outside Plant (OSP), into the Access Network and all the way to the fiber connection at the home, our labor lite solutions solve service provider fiber network design and installation challenges. Our methodologies provide easy to engineer and easy to install solutions that take the mystery out of deploying fiber networks.

Leveraging factory terminated single-fiber and multi-fiber plug-and-play connectors, homes passed, and homes connected metrics can be greatly increased. The speed to turn up the entire network is maximized, while helping ensure superior optical performance achieved by using low-loss connectors, terminated in the factory.

Whether inside a cabinet or at the home, innovative slack storage spools and deploy reels reduce the dependence on making exact cable measurements. This enables the deployment of double-ended, standard cable lengths rather than relying on highly engineered, built to order cable assemblies or multiple field splicing events.

Product development for the Company's product line program has mainly been conducted internally. We believe that the communication industry environment is constantly evolving, and our success depends on our ability to anticipate and respond to these changes. Research and development are reflected in Selling, General, & Administrative expenses.

Some of our products currently offered are described below:

FieldSmart® is a series of panels, cabinets, wall boxes and other enclosures that provide a consistent design from the inside plant of the telco's "central office" or cable television's head-end, all the way through the outside plant to the access network to within the home or business. The Clearview® Cassette is the core building block of every product within the FieldSmart fiber management system. Clearview configuration options support tool-less installation, in-cassette buffer tube/ribbon slack storage as well as front access-only designs. The small footprint reduces real estate costs and improves density without compromising critical design elements of access, bend-radius protection, physical fiber protection and route path diversity. All types of fiber cable construction can be integrated within the cassette to support all patch only, patch and splice (in-cassette splicing), passive optical component hardware and plug-and-play scenarios.

WaveSmart® optical components are integrated for signal coupling, splitting, termination, multiplexing, demultiplexing and attenuation for a seamless integration within our fiber management platform. The products are built and tested for harsh environments to meet the strictest industry standards ensuring customers trouble-free performance in extreme outside plant conditions.

Active Cabinets using our FiberFlex™ product lines feature either fully integrated, fully engineered cabinets equipped with specific active electronics configurations or universal cabinets ready for mounting other electronic equipment. This product line features Clearfield's fiber management solutions housing the Clearview Cassette. The FieldSmart FiberFlex product line of outdoor active cabinets feature multiple sizes for universal configurations of electronic equipment.

CraftSmart® FiberFirst™ pedestals are designed to support fiber-only networks. Purpose-built to support a wide variety of service network designs, the pedestal eliminates the need for multiple, specialty pedestals and can support a passive optical network (PON) option, a splice-only option, or an access terminal option. The FiberFirst Pedestal Access Terminal options provide a cable management and mounting bracket kit that supports the deployment of all Clearfield access terminals.

Access Terminals from Clearfield are designed to ensure every service provider has the freedom of choice to match drop cable configuration and technology with the needs of their environment and first-cost priorities. The patented SeeChange® terminal and hardened connector system lets the operator push fiber deeper in the neighborhood using a completely plug-and-play approach. The YOURx® access terminals also offer flexibility with cable mid-span and internal splicing options. Clearfield access terminals can be deployed in a variety of locations including pedestal, vault, flowerpot, pole-mount, smart-pole, or strand mounted options.

FieldShield® platform is a patented fiber pathway and protection method aimed at reducing the cost of broadband deployment. Our FieldShield fiber drop cable assemblies are designed to connect the fiber access point (hand hole, pedestal or aerial) to the optical network terminal (ONT), on the home, in a fiber to the home (FTTH) network. FieldShield starts with a ruggedized microduct designed to support all aerial, direct bury, and inside plant "last mile" needs. FieldShield microduct is strong enough to be placed using traditional methods of boring and plowing, leveraging existing conduit placement equipment, as well as newer, less disruptive technologies such as micro trenching or saw cutting.

Fiber Assemblies - Clearfield manufactures high quality fiber assemblies with an industry-standard or customer-specified configuration. In addition, Clearfield's engineering services team works alongside the engineering design departments of our original equipment manufacturer ("OEM") customers to design and manufacture custom solutions for both in-the-box as well as network connectivity assemblies specific to that customer's product line.

Fiber Optic Cables manufactured by Nestor Cables include a comprehensive range of optical fiber cables that offer dependable solutions for various installation conditions and special requirements, including direct buried cables, duct cables, microduct cables, indoor/outdoor cables, aerial cables and submarine cable.

Copper Cables manufactured by Nestor Cables include copper conducted instrumentation and automation cables as well as central and signaling cables. Nestor also manufactures copper cable for telecommunications networks.

Nestor Optimus product family is a complete solution which includes all needed products - cables, microducts, microduct accessories and tools - for construction of microduct networks which are easily expandable, suitable for changing and growing urban and suburban areas, and enables the use of lighter installation techniques, which reduces construction costs and interference during installation.

NesCon Connectivity Products is a product family by Nestor Cables that includes essential installation and connection accessories for fiber optic networks, all of which are compatible with Nestor Cable's optical fiber cables.

Markets and Customers

The Company's products are sold across broadband service providers, which we categorize as National Carrier (wireline/wireless national telco carriers (Tier 1)), Community Broadband (Tier 2 and 3 telco carriers, utilities, municipalities, and alternative carriers), Large Regional Service Providers (ILEC operating a multi-state network with more than 500,000 subscribers), Multiple System Operators (cable television), International (primarily Europe, Central/Latin America and Canada), and Legacy build-to-print copper and fiber assemblies (primarily contract manufacturing). Nestor's products are sold to telecommunication wholesalers and telecommunication operators, primarily in Europe.

The Company's products are sold direct to customers through the Company's sales force as well as through authorized distributors. In addition, the Company uses manufacturing sales representatives and sales agents for customer and geography specific needs.

The Company considers the primary markets for its products to be as follows:

FTTP

Fiber to the Premise (also called Fiber to the Home) is a means of delivering the highest possible level of bandwidth directly to the user. The Company's sales and marketing efforts have principally been focused on the U.S., with additional efforts in Canada and Central/Latin America. We intend to leverage our Nestor platform to cross sell connectivity products into Europe.

FTTB

Fiber to the Business is principally for Multiple System Operators (cable television) and wireline/wireless national telco carriers (Tier 1) to penetrate the business marketplace.

FTT-Cell site

Fiber to the Cell site is the trend in which wireless service providers enhance their coverage for bandwidth. Currently, the majority of these cell sites are served by fiber backhaul and fronthaul.

Build to Print

In addition to a proprietary product line designed for the broadband service provider marketplace, Clearfield provides contract manufacturing services for original equipment manufacturers requiring copper and fiber cable assemblies built to their specification.

Competition

The market for the fiber management, fiber protection, and fiber delivery products provided by the Clearfield segment is highly competitive. Competition is largely based on any one or a combination of the following factors: functionality and features, price, product quality, product availability and lead times, cost and ease of installation, service and support, long-term returns to customers, scalability, product innovation, and manufacturing capability.

Competitors to the FieldSmart product lines include, but are not limited to, products offered by Corning Cabling Systems, Inc., OFS (Furukawa Electric North America, Inc.), AFL Telecommunications (a subsidiary of Fujikura Ltd.), Fujikura Ltd., Nokia, Hextronics Group and CommScope, Inc. Competitors to the CraftSmart and FiberFlex active cabinet product lines include products offered by Emerson Network Power, a subsidiary of Vertiv Co., and Charles Industries, Ltd., a subsidiary of Amphenol. Competitors to FieldShield product lines include products offered by PPC Broadband, a subsidiary of Belden, Inc. and Emtelle UK Limited. In various geographic or vertical markets, there are also several smaller companies with which we compete. Clearfield believes that it has a competitive advantage with customers who can leverage the cost savings the Clearview Cassette can provide and those who require quick-turn, high-performance customized products, and that it is at a competitive disadvantage with customers who principally seek large volume commodity products.

The Nestor Cables segment faces competition from numerous competitors within each of the markets it serves. The Nestor Cables segment competes primarily on the basis of its product performance and its ability to meet its customers' highly specified design, engineering and delivery needs on a timely basis. The market demand and resulting build rates of fiber optic networks and capital expenditures by telecommunications wholesalers and telecommunications providers, has a large and direct influence on the demand for the Nestor Cables segment products.

Many of our competitors have greater resources than we do, including greater sales, product development, marketing, financial, technical, or engineering resources. As a result, our competitors may be able to procure necessary components and labor at much lower prices than we can or may offer competitive products at below market prices, which could prevent us from competing effectively.

Sources of Materials and Supply Chain

Numerous purchased materials and components and sources of labor are used in the manufacturing of the Company's products. Most of these are available from multiple suppliers. However, some components and third-party contract manufacturing services are purchased from a single or a limited number of suppliers. The loss of access to some components and third-party contract manufacturing services could have an adverse effect on our ability to deliver products on a timely basis and on our financial performance.

Clearfield's Mexico facility operates under a Maquiladora arrangement. Under this arrangement, we contract with a company to provide certain personnel and other services at the production facilities in Mexico that complete final build and assembly of a significant portion of Clearfield's products. Maquiladora status also allows us to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated time frame.

Our supply chain management team oversees our suppliers to source and procure materials, manufacture and deliver our products to customers from the site of manufacture, whether at Clearfield's facilities in Brooklyn Park, Minnesota or the facility in Tijuana, Mexico that operates as a Maquiladora. Our supply chain management team consists of planning, sourcing, and logistics personnel. We tightly integrate our supply chain management, our product innovation activities, and our manufacturing operations. Our supply chain team also manages the critical logistics and transport services for our materials, components and finished products in and out of Mexico to ensure sufficient materials to timely produce products and to ensure timely export of products in order to qualify as duty-free.

Over the last several years, we have taken steps to improve our supply chain operations, enhance resiliency, and mitigate risk of disruption.

Major Customers and Financial Information about Geographic Areas

For the fiscal year ended September 30, 2024, the Company had two customers that comprised 15% and 11% of net sales. These customers are distributors. For the fiscal year ended September 30, 2023, the Company had one customer that comprised 16% of net sales. This customer was a distributor. For the fiscal year ended September 30, 2022, the Company had one customer that comprised 14% of net sales. This customer was a distributor. These major customers, like our other customers, purchase our products from time to time through purchase orders and we do not have any agreements that obligate these major customers to purchase products in the future from us.

As of September 30, 2024, three customers accounted for a combined 37% of accounts receivable. These customers are all distributors. As of September 30, 2023, three customers accounted for a combined 40% of accounts receivable. These customers are all distributors.

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 Canada as well as countries in the Caribbean, Europe and Central and South America. Since our acquisition of Nestor Cables in July 2022, we experienced an increased concentration of customers based in Europe.

Patents and Trademarks

As of September 30, 2024, Clearfield has 53 patents granted and multiple patent applications pending both inside and outside the United States. These patents begin to expire in 2028. We have also developed and are using multiple trademarks and logos to market and promote our products.

Seasonality

We are affected by the seasonal trends in the industries we serve. We typically experience sequentially lower sales in our first and second fiscal year quarters, primarily due to customer budget cycles, deployment schedules of outdoor products, some customer geographical concentrations, as well as standard vacation and holiday calendars. Sales have usually reached a seasonal peak in our third and fourth fiscal quarters.

Human Capital Resources

As of September 30, 2024, the Company had approximately 400 full-time employees, of which 62% were based in the United States ("U.S.") and 38% were based outside of the U.S., primarily in Finland and Estonia due to our Nestor Cables operations. We also employ seasonal, part-time employees and independent contractors. Except for customary local works council arrangements for employees in Finland and Estonia, none of our employees are covered by any collective bargaining agreement.

Our U.S. employees include approximately 160 office personnel and 90 manufacturing personnel as of September 30, 2024. The substantial majority of these employees work out of our Brooklyn Park, Minnesota headquarters. The Company's office personnel are comprised of sales, marketing, engineering, and administrative personnel. The manufacturing personnel include both individuals directly involved in the manufacturing of our products, as well as warehouse and operations supervisory personnel. Certain positions within our organization require industry specific technical knowledge. Our manufacturing personnel currently work in one shift as needed at our Brooklyn Park facility.

We invest significant management attention, time, and resources to attract, engage, develop, and retain our employees, particularly for positions that require technical knowledge or expertise. For this reason, we offer rigorous training programs for manufacturing and other technical employees to allow them to develop the necessary skillset for their roles and promote career development. To date, our training programs and overall collaborative working environment have allowed us to be successful in attracting and retaining qualified technical personnel for these positions.

Nestor Cables has approximately 35 office personnel and 120 manufacturing personnel as of September 30, 2024.

As of September 30, 2024, we had contracted for approximately 330 personnel in the Mexico facility through a Maquiladora agreement. The manufacturing personnel contracted through the Maquiladora are covered by a customary local collective bargaining agreement with the company that provides the personnel and other services to Mexico facility.

In our manufacturing operations, we monitor key metrics and goals based on quality, productivity, and ability to meet shipping promise dates. As a measure of quality, we focus on First Pass Yield ("FPY"), which is calculated as the percentage of product that meets all performance criteria upon first completion from our manufacturing floor and requires no rework. The Company's target for FPY ranges from 92-99%, depending on key manufacturing steps and the product line being produced. We also measure our On-Time Delivery ("OTD") which is determined by the Company's ability to ship product on the date necessary, accounting for standard shipping times, in order to meet the agreed upon delivery date with our customers. The Company's OTD target is a minimum of 95%. This metric is important as the Company has taken a strategic approach to be able to offer low industry lead times for our customers. The Company incentivizes certain of its personnel based on these metrics.

Climate Change

Certain government and regulatory bodies have introduced or are contemplating regulatory changes relating to climate change. While we do not believe climate-related risks are reasonably likely to have a material impact on our business, results of operations, or financial condition at this time, we are continuing to assess the nature and extent of risk from a changing climate and the potential for increased regulation.

The majority of our manufacturing operations calls for compiling raw material and other purchased components from suppliers. As part of our operations, we focus on minimizing scrap and other waste and look to recycle and salvage this scrap wherever possible. Any new regulation of emissions may result in additional costs to our suppliers which may be passed on to us.

In addition, the physical impacts of climate change and other natural events, including adverse weather conditions such as heavy or sustained rainfall, flooding, cold weather and snow, can impact deployment schedules of outdoor products and potentially affect demand for our products. Additionally, we may need to take into account an increase in the frequency of extreme weather events in the development of our products.

An increase in the frequency of extreme weather events, changes in weather patterns, drought, rising ocean and temperature levels, earthquakes and the like may impact our manufacturing operations or the manufacturing operations of suppliers of our critical raw materials or components. These types of impacts may also result in transportation-related supply chain challenges and negatively impact the delivery of raw materials, components, or products to or from our facilities. These potential physical effects may increase costs, cause delays or shortages in components required to produce our products or cause delays in the shipment of our products to customers.

Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas ("GHG") emissions, could lead to new or additional investment in the Company's products or facilities and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including GHG emissions, could subject the Company to additional costs and restrictions, including increased energy and raw material costs and other compliance requirements which could negatively impact the Company's reputation, business, capital expenditures, results of operations, and financial position.

Corporate Information

Clearfield, Inc. was incorporated under the laws of Minnesota in 1979. Our corporate headquarters are located at 7050 Winnetka Avenue North, Suite 100, Brooklyn Park, Minnesota, 55428, and our corporate website is www.seeclarfield.com. We do not incorporate the information on or accessible through our website into this annual report on Form 10-K, and you should not consider any information on, or that can be accessed through, our website as part of this annual report on Form 10-K.

Our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge at our website as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, like Clearfield, that file electronically with the SEC and that internet site is <http://www.sec.gov>.

We use various trademarks and trade names in our business, including without limitation our corporate name and logo. Solely for convenience, the trademarks and trade names in this annual report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that we will not assert, to the fullest extent under applicable law, our rights thereto.

ITEM 1A. RISK FACTORS

Risks Relating to Our Operations

Our business is dependent on interdependent management information systems.

We rely on effective management information systems, including our enterprise resource planning ("ERP") software, for critical business operations and to support strategic business decisions. We rely on our ERP system to support such important business operations as processing sales orders and invoicing, manufacturing, shipping, inventory control, purchasing and supply chain management, human resources, and financial reporting. Some of these systems are made up of multiple software and system providers. The interdependence of these solutions and systems is a risk, and the failure of any one system could have a material adverse effect on our overall information technology infrastructure. We are in the process of consolidating several of these solutions and systems into one integrated ERP system for our North American operations. Failure to successfully consolidate and integrate these solutions and systems could result in disruptions to our operations and adversely impact our business. Failure or abandonment of all or any part of the ERP system consolidation and integration project could result in a write-off of all or part of the costs that have been capitalized in connection with the project, which may negatively impact our financial results. We also rely on management information systems to produce information for business decision-making and planning. If we are unable to maintain our management information systems, including our IT infrastructure, to support critical business operations and to produce information for business decision-making activities, we could experience a material adverse impact on our business or an inability to timely and accurately report our financial results.

Our IT systems may also be vulnerable to disruptions from human error, outdated applications, computer viruses, natural disasters, unauthorized access, cyber-attack, and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruptions, cyber-attack or other security breach results in a loss or damage to our data, or inappropriate disclosure of confidential information, it could harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Inflationary price pressures and uncertain availability of components, raw materials, labor and logistics used by us, and our suppliers could negatively impact our profitability.

Increases in the price of raw materials, labor and other components utilized in the production of our products, along with logistics and other related costs, may lead to higher production and shipping costs for our products. Additionally, increasing global demand for, and uncertain supply of, such materials could disrupt our ability to obtain such materials in a timely manner to meet our supply needs and could lead to increased costs. An increase in the cost of inputs needed to produce our products could lead to higher costs and could negatively impact our results of operation, future profitability, and ability to meet customer demand. Passing along these increased prices to our customers to offset the impact of higher costs may cause certain customers to cancel, push out, or refrain from purchasing our products, which could negatively impact demand for our products, and therefore also negatively impact our results of operations and future profitability.

We rely on single-source suppliers, which could cause delays, increases in costs, or prevent us from completing customer orders, all of which could materially harm our business.

We assemble our products using materials and components supplied by various subcontractors and suppliers. We purchase critical components for our products, including injected molded parts, various cabling, optical components, and connectors from third parties, some of whom are single- or limited-source suppliers. If any of our suppliers are unable to ship critical components, we may be unable to manufacture and ship products to our distributors or customers. If the price of these components increases for any reason, or if these suppliers are unable or unwilling to deliver, we may have to find another source, which could result in interruptions, increased costs, delays, lost sales, and quality control problems.

Further, the costs to obtain certain raw materials and supplies, such as fiber and copper cabling, are subject to price fluctuations, which may be substantial, because of global market demands. Many companies utilize the same raw materials and supplies in the production of their products as we use in our products. Companies with more resources than us may have a competitive advantage in obtaining raw materials and supplies due to greater purchasing power. Some raw materials or supplies may be subject to regulatory actions, which may affect available supplies. Further, new or increased tariffs may be imposed by governments on imports from other countries that are the single- or limited-source of our materials and components. Tariffs increase the cost of the materials and components that go into making our products, but we are generally unable to pass some or all of these increased costs to our customers. Accordingly, these increased costs adversely impact the gross margin that we earn on our products. Furthermore, due to general economic conditions in the U.S. and globally, our suppliers may experience financial difficulties, which could result in increased delays, additional costs, or loss of a supplier.

The termination or interruption of any of these relationships, or the failure of these manufacturers or suppliers to supply components or raw materials to us on a timely basis or in sufficient quantities, likely would cause us to be unable to meet orders for our products and harm our reputation and our business. Identifying and qualifying alternative suppliers would take time, involve significant additional costs, and may delay the production of our products. If we fail to forecast our manufacturing requirements accurately or fail to properly manage our inventory with our contract manufacturers, we could incur additional costs, experience manufacturing delays, and lose sales. Further, if we obtain a new supplier or assemble our product using an alternative source of supply, we may need to conduct additional testing of our products to ensure they meet our quality and performance standards. Any delays in delivery of our product to distributors or customers could be extended, and our costs associated with the change in product manufacturing could increase.

The failure of our third-party manufacturers to manufacture the products for us or the failure of our suppliers of components and raw materials to supply us these items consistent with our requirements as to quality, quantity and timeliness could materially harm our business by causing delays, lost sales, increases in costs and lower gross profit margins.

A number of products manufactured by the Company are produced outside the U.S., including in our Mexico facility. The Company's manufacturing facility in Mexico is authorized to operate as a Maquiladora by the Ministry of Economy of Mexico. Maquiladora status allows the Company to import certain items from the U.S. into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated time frame. Maquiladora status, which is renewed periodically, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations. Failure to comply with these regulations or other disruptions within the program could adversely affect the Company's financial position, results of operations, and cash flows.

We depend on the availability of sufficient supply of certain materials. Global disruptions in the supply chain for these materials could prevent us from meeting customer demand for our products.

We purchase critical components for our products, including injected molded parts, various cabling, optical components, components for active cabinets, and connectors from third parties, some of which are single- or limited-source suppliers. We depend on the ability of these third-party suppliers to secure a sufficient supply of raw materials and maintain sufficient manufacturing and shipping capacity. The global supply chain for raw materials critical to our products has in the past, and may again in the future, suffer shortages, shipping delays and shipping shortages. This may lead some manufacturers who depend on these raw materials to experience shortages, delivery delays and price increases for both the raw materials and shipping, with the corresponding consequence that these manufacturers may be delayed in delivering products to us or may charge higher prices for these products, or there may be increased shipping costs associated with the products. Some manufacturers may also allocate short supply of products among Clearfield and their other customers.

Increased demand for the Company's products from its customers may put pressure on the Company's supply chain, particularly during periods of disruption in the global supply chain and may lead to increases in costs or delays in obtaining the materials and components for our products from our suppliers. The Company's ability to recognize revenue in the future for customer orders will depend on our ability to manufacture and deliver products to the customers and fulfill other contractual obligations. Our ability to meet future customer demand for our products will in turn depend upon our suppliers receiving timely and adequate supplies of raw materials to be able to produce the critical materials and components they supply to us. Although we place a high value on long-term relationships with our suppliers, generally we do not have long-term supply contracts but instead conduct business on an order-by-order basis. Therefore, we also compete with other companies for the production capacity of manufacturers of the materials and components we need for our products. We also are exposed to potentially increasing costs associated with the materials and components we purchase from suppliers or increased costs associated with shipping generally. We may attempt to mitigate the effect of increases in our cost of goods sold through sourcing or stocking initiatives and by selectively increasing the prices of our products. However, we may be unable to fully pass on these costs to our customers. Long lead times for certain components and changes in demand for our products may impact our ability to accurately forecast our production requirements. As a result, certain component inventory purchases may become excess or obsolete, which could have an adverse effect on our financial condition and results of operations.

The reduction of available production capacity among our suppliers, their failures to meet production deadlines or increases to us in their manufacturing or shipping costs may impact our ability to deliver quality products to our customers on a timely basis, make our products less competitive due to extended delivery times or increased price, negatively impact our customer or distributor relationships, and result in lower net sales and profit. Any delays or inabilities in meeting customer required shipping dates may also expose us to order cancellations in our sales order backlog by customers, which could have an adverse effect on our results of operations.

A significant percentage of our sales in the last three fiscal years have been made to a small number of customers, and the loss of these major customers could adversely affect us.

Our customer base includes direct customers, OEMs, and distributors. For fiscal year 2024, the Company had two customers that comprised 26% of net sales. For fiscal year 2023, the Company had one customer that comprised 16% of net sales, and for fiscal year 2022 the Company had one customer that comprised 14% of net sales. These customers are all distributors.

These customers, like our other customers, purchase our products from time to time through purchase orders. We do not have any agreements that obligate our customers to purchase products in the future from us. Our agreements with our distributor customers do not prohibit them from purchasing or offering products or services that compete with ours.

We believe that the loss of our major distributor customers would likely result in purchases being re-directed through other sales channels, for example our other distributors, independent sales representatives, or through direct sales by the Company to customers. However, there can be no assurance that the loss of a distributor customer would not have an adverse effect on our sales or gross margins in this event.

The loss of any one or more of our key customers, the substantial reduction, delay, or cancellation of orders received from any of our customers in our sales backlog or our inability to collect the accounts receivable from these customers, could have a material adverse effect on our business, financial position and results of operations.

Further consolidation among our customers may result in the loss of some customers and may reduce sales during the pendency of business combinations and related integration activities.

We believe consolidation among our customers in the future will continue in order for them to increase market share and achieve greater economies of scale. In connection with this merger and acquisition activity, our customers may postpone or cancel orders for our product based on revised plans for technology or network expansion pending consolidation activity. Customers integrating large-scale mergers or acquisitions may also reduce their purchases of equipment during the integration period or postpone or cancel orders.

The impact of significant mergers and acquisitions among our customers on our business is likely to be unclear until sometime after such transactions are completed, which may take a year or more. After a consolidation occurs, a customer may choose to reduce the number of vendors from which it purchases equipment and may choose one of our competitors as its preferred vendor. There can be no assurance that we will continue to supply equipment to the surviving company after a business combination is completed.

We may be subject to risks associated with acquisitions, and the risks could adversely affect future operating results.

We monitor our product portfolio and business and customer trends. In response, we have made and may continue to make acquisitions. The success of our acquisitions will depend on our ability to successfully identify and properly value suitable acquisition candidates, negotiate appropriate acquisition terms, obtain financing at a reasonable cost, prevail against competing acquirers, complete the acquisitions, and integrate the acquired businesses into our existing business. We cannot ensure that the expected benefits of any acquisition will be realized or will be realized within the time frames we expect. Costs could be incurred on pursuits or proposed acquisitions that have not yet or may not close which could impact our operating results, financial condition, or cash flows. Additionally, after the acquisition, unforeseen issues could arise which adversely affect the anticipated returns, or which are otherwise not recoverable as an adjustment to the purchase price. The price we pay for a business or product line may exceed the value we realize, and we cannot provide assurance that we will obtain the expected revenues, anticipated synergies, and strategic benefits of any acquisition within the time we expect or at all. Acquisitions may result in the recording of goodwill and other intangible assets which are subject to potential impairments in the future that could negatively impact our financial results.

If we are unable to complete acquisitions or successfully integrate and develop acquired businesses, our financial results could be materially and adversely affected. The risks inherent in pursuing or completing an acquisition include:

- diversion of management's time and attention away from existing business activities;
- difficulties or delays in integrating and assimilating information and financial systems, operations and products of an acquired business or other business venture or in realizing projected efficiencies, growth prospects, cost savings and synergies;
- potential difficulties in managing our expanded operations and, in the case of international acquisitions, potential difficulties in managing non-U.S. subsidiaries, including the burden and cost of complying with a variety of international laws;
- potential loss of key employees, customers and suppliers of the acquired businesses or adverse effects on relationships with existing customers and suppliers;
- adverse impact on overall profitability if the acquired business does not achieve the return on investment projected at the time of acquisition;
- currency translations and fluctuations may adversely affect the financial performance of our consolidated operations; and
- with respect to the acquired assets and liabilities, inaccurate assessment of additional post-acquisition capital investments; undisclosed, contingent, or other liabilities; problems executing backlog of material supply or installation projects; unanticipated costs; and an inability to recover or manage such liabilities and costs.

These risks associated with acquisition, integration of acquired businesses and management of our expanded operations may have a material adverse effect on our sales, financial condition, and results of operations.

We have exposure to movements in foreign currency exchange rates.

Nestor Cables' functional currency is the Euro, which is translated to the Company's reporting currency of the U.S. dollar. Fluctuations in exchange rates between the Euro and U.S. dollar may impact our results of operations, financial position and cashflows. The Company expects to continue to experience fluctuations in the value of the U.S. dollar against the Euro and other currencies if it is not possible, cost-effective or should we not elect to hedge certain currency exposure. These factors, which are variable and generally outside of our control, could materially impact our results of operations, anticipated future results, financial position, and cash flows.

Adverse global economic conditions and geopolitical issues could have a negative effect on our business, and results of operations and financial condition.

Our business, including global supply chain, is affected by global economic conditions and geopolitical issues. Geopolitical issues, such as the Russian invasion of Ukraine and related economic sanctions and tensions between Russia and NATO countries, has resulted in increasing global tensions, rising energy costs and creates uncertainty for our global supply chain. Sustained or worsening global economic conditions and geopolitical issues may disrupt or increase our cost of doing business and otherwise disrupt and delay our supply chain operations. These factors could negatively affect the cost and supply of components needed for our products, our ability to ship products to customers and ultimately impact our business, financial condition, and result of operations.

Growth may strain our business infrastructure, which could adversely affect our operations and financial condition.

As we grow, we will face the risk that our existing resources and systems, including management resources, enterprise technology and operating systems, may be inadequate to support our growth. There can be no assurance that we will be able to retain the personnel or make the changes in our systems that may be required to support our growth. Failure to secure these resources and implement these systems on a timely basis could have a material adverse effect on our operating results. In addition, hiring additional personnel and implementing changes and enhancements to our systems will require capital expenditures and other increased costs that could also have a material adverse impact on our operating results.

Product defects or the failure of our products to meet specifications or domestic content requirements could cause us to lose customers and sales or to incur unexpected expenses.

If our products do not meet our customers' performance requirements, our customer relationships may suffer. Also, our products may contain defects or fail to meet product specifications. Any failure or poor performance of our products could result in:

- lack of or delayed market acceptance of our products;
- delayed product shipments;
- unexpected expenses and diversion of resources to replace defective products or identify and correct the source of errors;
- damage to our reputation and our customer relationships;
- delayed recognition of sales or reduced sales;
- increased product warranty claims; and
- product liability claims or other claims for damages that may be caused by any product defects or performance failures.

In addition, certain of our products will be required to meet Build America, Buy America (BABA) Act domestic content requirements to enable certain customers to qualify for grant funding under the Broadband Equity, Access, and Deployment (BEAD) program. Any failure of such products to meet BABA domestic content requirements would result in those products being ineligible for purchase and use by certain customers under the BEAD program, and could result in lost sales, lost business opportunity, breach of warranty claims, and damage to our reputation and customer relationships.

Our products are often critical to the performance of telecommunications systems. We offer customers limited warranty provisions. If the limitations on the product warranties are unenforceable in a particular jurisdiction or if we are exposed to product liability claims that are not covered by insurance, a claim could harm our business.

We are dependent on key personnel.

Our failure to attract, develop and retain skilled personnel could hinder the management and growth of our business, our research and development, our sales and marketing efforts and our manufacturing capabilities. Our future success depends to a significant degree upon the continued services of key senior management personnel, including Cheryl Beranek, our Chief Executive Officer, and John P. Hill, our Chief Operating Officer. We have employment agreements with Ms. Beranek and Mr. Hill that provide that if we terminate the employment of either executive without cause or if the executive terminates her or his employment for good reason, we would be required to make specified payments to them as described in their employment agreements. We have key person life insurance on Ms. Beranek and Mr. Hill. We also have employment agreements with other key management. Further, our future success also depends on our continuing ability to attract, develop, retain, and motivate highly qualified managerial, technical and sales personnel. Our inability to attract, develop and retain qualified personnel could have a significant negative effect and thereby materially harm our business and financial condition.

Cyber-security incidents, including ransomware, data breaches or computer viruses, could disrupt our business operations, damage our reputation, result in increased expense and potentially lead to legal proceedings.

Cybersecurity threats continue to expand and evolve, making it difficult to detect and prevent such threats from impacting the Company. While we monitor our networks and continue to enhance our network security measures, cyber-attacks have increased in frequency and sophistication, and our efforts may not be adequate to prevent all cybersecurity incidents. Cybersecurity threats to the Company could lead to unauthorized access to the Company's information technology systems, customers, suppliers, and third-party service providers. Cybersecurity incidents could potentially result in the disruption of our business operations and/or the theft, destruction, publication, or corruption of critical data and confidential or proprietary information. Cybersecurity events could also result in the Company being unable to access critical data in a timely manner, or at all. Cybersecurity incidents could also result from unauthorized parties gaining access to our systems or information through fraudulent or other means of deceiving our employees, suppliers, customers, or third-party service providers. Despite the Company's implementation of preventative security measures and controls to prevent, detect, and mitigate these threats, our infrastructure may still be susceptible to disruptions from cybersecurity incidents including ransomware attacks, security breaches, computer viruses, outages, and systems failures, any of which could include the inability to access critical data, reputational damage, loss of our intellectual property, release of highly sensitive confidential information, litigation with third parties and/or governmental investigations and fines, which could have a material adverse effect on our financial condition and results of operations. Additionally, as cybersecurity threats continue to evolve, we may be required to devote additional resources to continue to enhance our information security measures and controls to mitigate these new and emerging threats.

Natural disasters, extreme weather conditions or other catastrophic events could negatively affect our business, financial condition, and operating results.

Natural disasters, extreme weather events and other catastrophic events such as flooding, tornadoes, hurricanes, unusually heavy precipitation, earthquakes, tsunamis, fires, explosions, acts of war, terrorism, civil unrest, or pandemics could increase the cost of doing business or otherwise harm our operations, our suppliers and our customers. Such events could reduce demand for our products or make it difficult or impossible for us to receive raw materials from suppliers and deliver products to our customers.

Pandemics and other health crises could have a material adverse effect on our business, financial condition, and operating results.

Pandemics and other health crises, and governmental, business, and societal responses to pandemics or other health crises, have had, and in the future may have, an adverse effect on our operations, work force, supply chains, distribution channels, and customers. Constraints and limits imposed on our operations due to pandemics or other health crises may slow or diminish our sales and marketing programs, product development activities and qualification activities with our customers. Restrictions on our manufacturing, support operations or workforce, or similar limitations for our suppliers, could limit our ability to meet customer demand. Restrictions or disruptions of transportation, such as reduced availability of air transport, port closures and increased border controls or closures, resulting in higher costs and delays, could harm our profitability, make our products less competitive, or cause our customers to seek alternative suppliers. Employee health, availability, productivity, and efficiency may be adversely impacted.

Risks Relating to Our Markets and Industry

To compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance.

The telecommunications equipment industry is characterized by rapid technological changes, evolving industry standards, changing market conditions and frequent new product and service introductions and enhancements. The introduction of products using new technologies, or the adoption of new industry standards can make our existing products, or products under development, obsolete or unmarketable. In order to remain competitive and increase sales, we will need to anticipate and adapt to these rapidly changing technologies, enhance our existing products and introduce new products to address the changing demands of our customers.

Many of our competitors have greater engineering and product development resources than we have. Although we expect to continue to invest resources in product development activities, our efforts to achieve and maintain profitability will require us to be selective and focused with our research and development expenditures. In addition, sales to certain broadband service providers may require third-party independent laboratory testing in order to obtain industry certifications to be able to sell to those customers. Further, our existing and development-stage products may become obsolete if our competitors introduce newer or more appealing technologies. If these technologies are patented or proprietary to our competitors, we may not be able to access these technologies.

If we fail to anticipate or respond in a cost-effective and timely manner to technological developments, changes in industry standards or customer requirements, or if we experience any significant delays in product development or introduction, our business, operating results, and financial condition could be affected adversely.

If the telecommunications market does not continue to expand, our business may not grow as fast as we expect, which could adversely impact our business, financial condition, and operating results.

Our future success as a provider of fiber management, fiber protection and fiber delivery products depends on the continued growth of demand for fiber broadband and, in particular, the continued expansion in the United States and in our other markets of information networks, particularly those directly or indirectly dependent upon a fiber optic infrastructure. As part of that growth, we anticipate that demand for voice, video, and other data services delivered over high-speed connections (both wired and wireless) will continue to increase. If this demand does not increase, the need for enhanced high-speed bandwidth using fiber connections may not increase. Currently, demand for high-speed broadband capabilities and access is increasing, but future growth may be limited by several factors, including, among others: (1) relative strength or weakness of the global economy or certain countries or regions, (2) an uncertain regulatory environment, (3) uncertainty regarding long-term sustainable business models as multiple industries, such as the cable, traditional telecommunications, wireless and satellite industries, offer competing content delivery solutions, (4) excess product inventory in the marketplace, (5) lack of available skilled labor to install product; and (6) delays in the permitting process for fiber optic network installations. If the factors described above were to occur and cause the demand for fiber broadband capabilities or access to slow, stop or reverse, our business, financial condition and operating results would be negatively affected.

Changes in U.S. government funding programs may cause our customers and prospective customers to delay, reduce, or accelerate purchases, leading to unpredictable and irregular purchase cycles.

The telecommunications and cable television industries are subject to significant and changing U.S. federal and state regulation, some of which subsidizes or encourages spending on initiatives that utilize our products.

For example, programs like the Connect America Fund (CAF), which provides a capital expenditure subsidy for the build-out of the country's broadband network, the Rural Digital Opportunity Fund (RDOF), which provides a capital expenditure subsidy for the support of high-speed broadband networks in rural America, and the Broadband Equity, Access and Deployment (BEAD) program, among others, which will provide funding for broadband deployment, mapping and adoption projects in unserved and underserved areas in the United States, its territories, and the District of Columbia, may subsidize or encourage spending by our customers or prospective customers on capital spending projects that utilize our products. Customers may seek to time or otherwise adjust their technology or network expansion projects to the availability of subsidies under these or other programs, which will affect the timing and size of orders for our products. In addition, other universal service reforms scheduled to begin in the coming years will eliminate subsidies that carriers have traditionally relied upon to support service in high-cost, rural areas. Changes in government programs in our industry or uncertainty regarding future changes could adversely impact our customers' or prospective customers' decisions regarding timing and amounts of capital spending, which could decrease demand for our products, delay orders or result in pricing pressure from these customers.

Intense competition in our industry may result in price reductions, lower gross profits, and loss of market share.

Competition in the telecommunications equipment and services industry is intense. Our competitors may have or could develop or acquire marketing, financial, development and personnel resources that exceed ours. Our ability to compete successfully will depend on whether we can continue to advance the technology of our products and develop new products, the acceptance of our products among our customers and prospective customers, and our ability to anticipate customer needs in product development, as well as the price, quality and reliability of our products, our delivery and service capabilities and our control of production capacity and operating expenses.

There can be no assurance that we will be able to compete successfully against our current or future competitors. Competition from manufacturers of telecommunications equipment such as ours may result in price reductions, lower gross profit margins, increased discounts to customers, and loss of market share, which could require increased spending by us on research and development, sales and marketing, and customer support.

Our success depends upon adequate protection of our patent and other intellectual property rights.

Our future success depends in part upon our proprietary technology. We attempt to protect our proprietary technology through patents, trademarks, copyrights, and trade secrets. However, these legal means afford us only limited protection and may not adequately protect our rights or remedies to gain or keep any advantages we may have over our competitors. Accordingly, we cannot predict whether these protections will be adequate, or whether our competitors will develop similar technology independently, without violating our proprietary rights.

Our competitors, many of which have significant resources, may make substantial investments in competing products and technologies, or may apply for and obtain patents that will prevent, limit, or interfere with our ability to manufacture or market our products. We may litigate to enforce patents issued to us and to defend against claimed infringement of the rights of others or to determine the ownership, scope, or validity of our proprietary rights and the rights of others.

Litigation has been necessary in the past and may be necessary in the future to defend or enforce our intellectual property rights, to protect our patents and trade secrets, and to determine the validity and scope of our proprietary rights. Any litigation also may involve substantial costs and diversion of the attention of Company management away from operational activities. Any claim of infringement against us could involve significant liabilities to third parties, could require us to seek licenses from third parties, and could prevent us from manufacturing, selling or using our products. The occurrence of litigation or the effect of any settlement or an adverse determination in litigation could have a material adverse effect on our business, financial condition, and results of operations.

We face risks associated with expanding our sales outside of the United States.

We believe that our future growth depends in part upon our ability to manage our international operations and increase sales in international markets. These sales are subject to a variety of risks, including fluctuations in currency exchange rates, tariffs, import restrictions and other trade barriers, unexpected changes in legal and regulatory requirements, longer accounts receivable payment cycles, potentially adverse tax consequences, and export license requirements. In addition, we are subject to the risks inherent in conducting business internationally, including political and economic instability, unexpected changes in diplomatic and trade relationships, and a complex system of commercial and trade laws, regulations, and policies, including those related to data privacy, trade compliance, anti-corruption, and anti-bribery. Currency fluctuations may also increase the cost of our international operations and increase the relative price of our product in international markets and thereby cause our products to become less affordable or less price competitive than those of international manufacturers. These risks associated with international operations may have a material adverse effect on our revenue from or costs associated with international operations or sales.

Expectations relating to environmental, social and governance matters may increase our cost of doing business and expose us to reputational harm and potential liability.

Many regulators, investors, employees, vendors, customers, community members and other stakeholders are increasingly focused on environmental, social and governance matters relating to businesses, including climate change, greenhouse gas emissions, human capital, civil rights, and diversity, equity, and inclusion. We may make public statements about various environmental, social and governance matters and initiatives from time to time through our website, press releases and other communications. Addressing stakeholder expectations relating to environmental, social and governance matters requires an investment of time, money and other resources, and depends in part on third-party performance or data that is outside of our control, any or all of which may increase our cost of doing business. In addition, as investor and other stakeholder expectations relating to environmental, social and governance matters change and evolve over time, any failure or perceived failure by us to adequately address those expectations may damage our reputation and adversely affect our business and results of operations. Similarly, public statements we make about environmental, social and governance matters and initiatives may result in increased scrutiny by our stakeholders and require additional attention relating to these issues. Federal, state or international government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations relating to environmental, social or governance matters. These laws or regulations could require us to modify our business practices to comply and could result in increased costs. Additionally, any failure to comply with federal, state, or international environmental, social and governance laws and regulations, could adversely affect our business and results of operations.

Risks Relating to Our Common Stock

Our operating results may fluctuate significantly from quarter to quarter, which may make budgeting for expenses difficult and may negatively affect the market price of our common stock.

Because many purchases by customers of our products relate to a specific customer project and are procured by the customer from time to time through purchase orders, the short-term demand for our products can fluctuate significantly. This fluctuation can be further affected by the long sales cycles necessary to obtain contracts to supply equipment for these projects, the availability of capital to fund our customers' projects, changes or delays in customer deployment schedules, and the impact of government programs to encourage service to unserved or underserved communities, rural areas or other high-cost areas on customer buying patterns. These long sales cycles may result in significant effort expended with no resulting sales or sales that are not made in the anticipated quarter or fiscal year. Certain customers and prospective customers, typically larger broadband service providers, are conducive to these long sales cycles which may be multi-year efforts. Demand for our products will also depend upon the extent to which our customers and prospective customers initiate these projects and the extent to which we are selected to provide our equipment in these projects, neither of which can be assured. In addition, a sharp increase in demand could result in actual lead times longer than quoted, and a sharp decrease in demand could result in excess stock. These factors generally result in fluctuations, sometimes significant, in our operating results. Other factors that may affect our quarterly operating results include:

- the volume and timing of orders from and shipments to our customers, particularly significant customers;
- mergers and acquisitions activity among our customers;
- work stoppages and other developments affecting the operations of our customers;
- the timing of and our ability to obtain required certifications or qualifications to sell products, the timing of and our ability to obtain new customer contracts, and the timing of revenue recognition;
- the timing of new product and service announcements;
- the availability of products and services;
- seasonal trends in the industries we serve;
- market acceptance of new and enhanced versions of our products and services, including the impact of government programs on customers purchasing decisions;
- variations in the mix of products and services we sell;
- the utilization of our production capacity and employees, including foreign operations;
- the availability and cost of key components of our products, including the impact of new or increased tariffs; and
- accounting treatment related to stock-based compensation.

Further, we budget our expenses based in part on expectations of future sales. If sales levels in a particular quarter are lower than expected, our operating results will be affected adversely.

Because of these factors, our quarterly operating results are difficult to predict and are likely to vary in the future. If our operating results are below financial analysts' or investors' expectations, the market price of our common stock may fall abruptly and significantly.

Our stock price has been volatile historically and may continue to be volatile. The price of our common stock may fluctuate significantly.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, and new reports relating to trends in our markets or general economic conditions.

In addition, the stock market is subject to price and volume fluctuations that affect the market prices for companies in general, and small-capitalization, high-technology companies like us in particular. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance. Further, any failure by us to meet or exceed the expectations of financial analysts or investors is likely to cause a decline in our common stock price. Further, recent industry and economic conditions have resulted in significant fluctuations in stock prices for many companies, including Clearfield. We cannot predict when the stock markets and the market for our common stock may stabilize. In addition, although our common stock is listed on the Nasdaq Stock Market, our common stock has at times experienced low trading volume in the past. Limited trading volume subjects our common stock to greater price volatility and may make it difficult for our shareholders to sell shares at an attractive price.

Anti-takeover provisions in our organizational documents, Minnesota law, and other agreements could prevent or delay a change in control of our Company.

Certain provisions of our articles of incorporation and bylaws, Minnesota law, and other agreements may make it more difficult for a third-party to acquire, or discourage a third-party from attempting to acquire, control of our Company, including:

- the provisions of our bylaws setting forth the advance notice and information requirements for shareholder proposals, including nominees for directors, to be considered properly brought before shareholders;
- the right of our board of directors to establish more than one class or series of shares and to fix the relative rights and preferences of any such different classes or series;
- the provisions of Minnesota law relating to business combinations and control share acquisitions; and
- the provisions of our equity compensation plans allowing for the acceleration of vesting or payments of awards granted under the plans in the event of specified events that result in a "change in control" and provisions of agreements with certain of our executive officers requiring payments if their employment is terminated and there is a "change in control."

These measures could discourage or prevent a takeover of us or changes in our management, even if an acquisition or such changes would be beneficial to our shareholders. This may have a negative effect on the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We believe cybersecurity plays a strategic role in ensuring smooth business operations. We are committed to developing, implementing and maintaining cybersecurity measures and processes that are designed to safeguard our information systems, data and operations, and to assess, identify and manage cybersecurity threats that may impact our business.

We operationalize our cybersecurity program through an information security management system based on the ISO/IEC 27001:2022 standard. This does not imply that we meet any particular technical standards, specifications, or requirements - only that we use the ISO/IEC 27001:2022 standard as a guide in designing and implementing our cybersecurity program. We believe designing and building our cybersecurity program around best practices and principles helps support robust business continuity.

Our cybersecurity program is integrated into our overall risk management system and processes. Key elements of our cybersecurity risk management program include, among others:

- Ongoing cybersecurity training and testing for our employees;
- Regular patching, vulnerability scanning, penetration testing, and network monitoring;
- Robust IT infrastructure to help reduce opportunities for adverse exploitation;
- Operational processes that reinforce cybersecurity policies and IT controls;
- Regular audits to assess our cybersecurity posture, maturity, and progress;
- A cybersecurity incident response plan operationalized in a governance, risk, and compliance ("GRC") platform; and
- A third-party risk management process for vendors that includes annual assessments and Service Organization Control Type 2 (SOC 2) reviews

While we have experienced cybersecurity incidents and expect to continue to be subject to such incidents, to date we have not experienced any cybersecurity incidents that have materially affected our business strategy, financial condition, or results of operations. The cybersecurity threat landscape continues to evolve and escalate. We are subject to ongoing risks from cybersecurity threats that could materially affect our business strategy, financial condition, or results of operations, as further described in Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

Governance

Our Board of Directors includes cybersecurity risk as part of its overall risk oversight function, and has delegated to our Audit Committee responsibility for overseeing, reviewing and discussing with management: (i) our cybersecurity, information technology and data security risks and threats; (ii) the potential impact of those risks and threats on our business, operations, and reputation; and (iii) management's processes, procedures and actions to identify, assess, monitor, mitigate, and remediate such risks and threats. Management provides the Board and the Audit Committee regular reports and assessments on our cybersecurity program and material cybersecurity risks. In addition, management updates the Board and the Audit Committee, as appropriate, regarding significant cybersecurity incidents should they occur.

A cybersecurity incidence response team comprised of key function heads and personnel, including IT, Finance, Legal, and Human Resources, provides operational support for clarifying and acting on cybersecurity issues, including decision-making around materiality, escalation and disclosure. Our cybersecurity program is principally managed by our Chief Information Officer and our Information Security Manager. Together, they have over 50 years of experience in IT, including developing, implementing, and operating IT controls. Our Chief Information Officer and our Information Security Manager manage cybersecurity risks by continually working to reduce risks, respond appropriately to incidents, and invest in hardening our attack surface to improve our cybersecurity posture. Our GRC platform is designed to provide reliability in identifying, tracking, and mitigating cybersecurity risks. We also engage third party assessors, consultants, and auditors to extend internal team capabilities and support our cybersecurity program, including engaging a cybersecurity service provider that provides 24/7 continuous managed detection and response services.

ITEM 2. PROPERTIES

Clearfield leases an 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 ten years and two months, ending on February 29, 2025, and was renewable. 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 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.

Clearfield leases a 105,000 square foot warehouse and manufacturing facility in Brooklyn Park, Minnesota. The lease term 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 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 renewed and continues to 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 leases an approximately 49,000 square foot manufacturing facility in Tabasalu, Estonia, 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 10 years commencing December 2024.

The lease called for monthly rental payments of approximately €20,400 until April 2024 and calls for monthly rental payments of €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 reasonably certain to exercise. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

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

Our common stock is traded on the Nasdaq Global Market under the symbol "CLFD."

Number of Holders of Common Stock

There were 290 holders of record of our common stock as of September 30, 2024.

Dividends

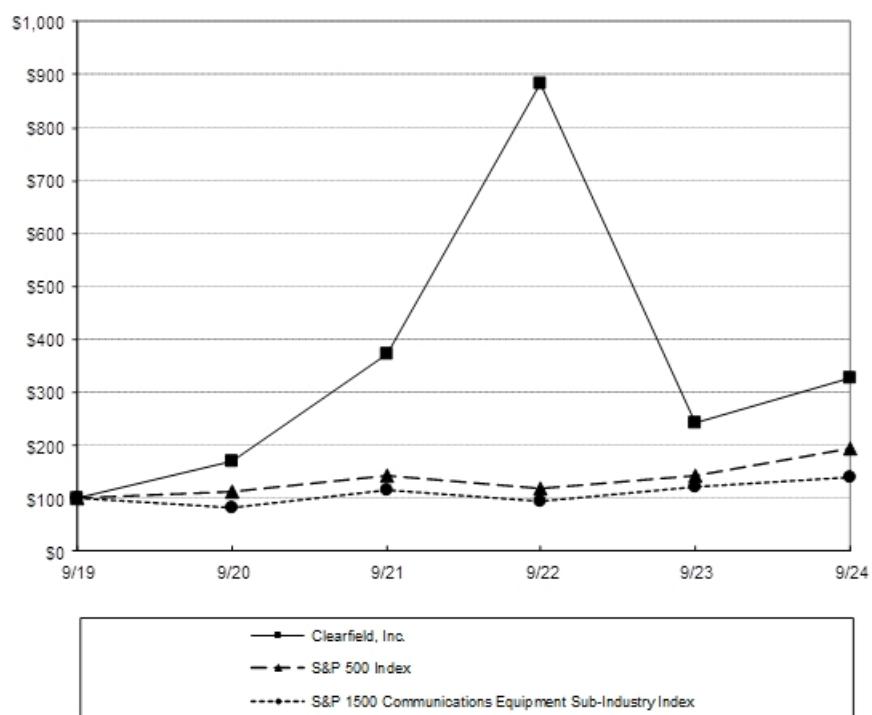
We have never paid cash dividends on our common stock. We currently intend to retain any earnings for use in our operations, continued organic growth, and potential future strategic transactions, as well as execution of the repurchase program described below, and do not intend in the foreseeable future to pay cash dividends on our common stock.

Stock Performance Graph

The following graph shows a comparison of the 5-year cumulative total return on Clearfield, Inc.'s common stock relative to the Standard & Poor's 500 Stock Index (S&P500 Index), which the Company has selected as a broad market index, and The Standard & Poor's 1500 Communications Equipment Index (S&P 1500 Communications Equipment Index), which the Company has selected as a published industry index. The graph assumes an investment of \$100 (with reinvestment of all dividends) is made in the Company's common stock and in each index on September 30, 2019, and its relative performance is tracked through September 30, 2024. The returns shown are based on historical results and are not intended to suggest future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Clearfield, Inc., The S&P 500 Stock Market Index and S&P 1500 Communications Equipment Sub-Industry Index



* \$100 invested on 9/30/19 in stock or index-including reinvestment of dividends.
Fiscal year ending September 30.

Company/Index	September 30, 2019	September 30, 2020	September 30, 2021	September 30, 2022	September 30, 2023	September 30, 2024
Clearfield, Inc.	\$ 100.00	\$ 170.21	\$ 372.57	\$ 883.04	\$ 244.14	\$ 328.78
S&P 500 Index	100.00	112.98	144.71	120.45	144.05	193.58
S&P 1500 Communications Equipment Index	100.00	82.46	115.85	94.29	123.44	139.17

Issuer Repurchases

The Company repurchased a total of 6,736 shares of our common stock during the fourth quarter of fiscal year 2024 in connection with payment of taxes upon the vesting of restricted stock previously issued to employees. These repurchases are unrelated to the stock repurchase program.

Effective January 27, 2022, the Company reinstated its stock repurchase program that had been suspended due to COVID uncertainty in April 2020. The Company's board of directors increased the share repurchase program to \$18,000,000 effective November 7, 2023, and an additional \$25,000,000 effective April 30, 2024, to an aggregate of \$65,000,000. During the year ended September 30, 2024, the Company repurchased 1,164,190 shares for approximately \$33,058,000. As of September 30, 2024, we have repurchased an aggregate of 1,729,780 shares for approximately \$40,077,000 leaving approximately \$24,923,000 available within our \$65,000,000 stock repurchase program. The repurchase program does not obligate Clearfield to repurchase any particular amount of common stock during any period. The repurchase will be funded by cash on hand. During the year ended September 30, 2023, the Company did not repurchase any shares under the stock repurchase program.

The following table presents the total number of shares repurchased during the fourth quarter of fiscal 2024 by month and the average price paid per share:

Period	ISSUER PURCHASES OF EQUITY SECURITIES			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)
	Total Number of Shares Purchased	Average Price Paid per Share	Purchased as Part of Publicly Announced Plans or Programs		
July 1-31, 2024	-	\$ -	-	-	\$ 24,923,000
August 1-31, 2024	6,736	37.58	-	-	24,923,000
September 1-30, 2024	-	-	-	-	24,923,000
Total	6,736	\$ 37.58	-	-	\$ 24,923,000

(1) Amount remaining from the aggregate \$65,000,000 repurchase authorizations approved by the Company's board of directors effective on April 30, 2024.

Equity compensation plans information is incorporated by reference from Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," of this Annual Report, and should be considered an integral part of Item 5.

ITEM 6. [RESERVED]

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

Cautionary Statement Regarding Forward-Looking Information

Statements made in this Annual Report on Form 10-K, in the Company's other SEC filings, in press releases and in oral statements, that are not statements of historical fact are "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. The words "believes," "expects," "anticipates," "seeks," "may," "will," and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. The risks and uncertainties that could cause actual results to differ materially and adversely from those expressed or implied by the forward-looking statements include those risks described in Part I, Item 1A "Risk Factors."

Overview of Business: The Clearfield operating segment designs, manufactures, and distributes fiber optic management, protection, and delivery products for communications networks. Its "fiber to the anywhere" platform serves the unique requirements of leading broadband service providers in the United States, which include Community Broadband, Large Regional Service Providers, National Carriers, and Multiple System Operators ("MSOs" or "cable TV"), while also serving the broadband needs of the International markets, primarily in Europe, the Caribbean, Canada, and Mexico. These customers are collectively included in the category of Broadband Service Providers. The Clearfield operating segment also provides contract manufacturing services to its Legacy customers for build-to-print services which include OEM requiring copper and fiber cable assemblies built to their specifications. The Company's sales channels include direct to customer, through distribution partners, and to original equipment suppliers who private label its products. The Company's products are sold by its sales employees and independent sales representatives.

The Nestor Cables operating segment manufactures fiber optic and copper telecommunication cables and equipment which it distributes to telecommunication operators, network owners, electric companies, building contractors, and industrial companies. Nestor Cables has been a supplier to Clearfield for over a decade. Nestor has two types of production processes, the process of manufacturing cable in its Finland facility and the finished assembly portion of its business performed in Estonia. Nestor Cables sells its products predominantly to customers in Europe.

Results of Operations

Year ended September 30, 2024, compared to year ended September 30, 2023

The Company's net sales for fiscal year 2024 decreased 38%, or \$102,015,000, to \$166,705,000 from net sales of \$268,720,000 in fiscal year 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 27% and 19% of net sales for the years ended September 30, 2024, and 2023, respectively.

The decrease in net sales for fiscal year 2024 of \$102,015,000 compared to fiscal year 2023 is attributable to decreased demand across the Clearfield segment's core markets. Sales to the Community Broadband market decreased 41%, or \$45,703,000, from \$111,708,000 in fiscal year 2023 to \$66,005,000 in fiscal year 2024. Sales to Clearfield's MSO/Cable TV market decreased 49%, or \$22,182,000, from \$45,669,000 in fiscal year 2023 to \$23,487,000 in fiscal year 2024. Sales to National Carriers decreased 2%, or \$187,000, from \$8,954,000 in fiscal year 2023 to \$8,767,000 in fiscal year 2024. The decrease in sales to these customers was due to a lull in demand for fiber connectivity products as customers digest their larger than normal inventory levels built up during the pandemic which were purchased over the previous years.

Revenue from customers is obtained from purchase orders submitted from time to time, with a limited number of customers recently 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 can be further limited by global supply chain issues and customer deployment schedules and factors affecting customer ordering patterns, which may result in changes in customer ordering trends in a relatively short period of time. 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 fiscal year 2024 was \$137,816,000, a decrease of \$45,625,000, or 25%, from \$183,441,000 in fiscal year 2023. Gross profit decreased 66%, or \$56,389,000, from \$85,278,000 for fiscal year 2023 to \$28,889,000 for fiscal year 2024. The decrease in gross profit was primarily due to lower net sales and lower gross profit margin in fiscal year 2024 in the Clearfield segment.

Gross profit percent was 17.3% in fiscal year 2024 compared to 31.7% for fiscal year 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 negatively impacted by an increase in inventory reserves of \$9,841,000 during the fiscal year ended September 30, 2024. Inventory reserves are primarily due to excess inventory due to the lull in demand in the Clearfield Segment while customers draw down their existing products previously purchased during the period of long lead time supply chain created by the pandemic. The Company expects to operate at gross profit percentage levels at or below these levels for several quarters until revenue levels increase, which is expected to bring improved margins.

Selling, general and administrative expense for fiscal year 2024 was \$52,111,000, an increase of \$4,119,000, or 9%, compared to \$47,992,000 for fiscal year 2023. The increase was primarily due to increased performance-based compensation of \$1,307,000, increased stock-based compensation of \$1,034,000, and increased professional fees of \$1,970,000.

Loss from operations for fiscal year 2024 was \$23,222,000 compared to income from operations of \$37,286,000 for fiscal year 2023. The decrease is attributable to lower sales and gross profit due to excess supply of fiber products in the Clearfield segment as described above and also higher unabsorbed overhead related to expanded manufacturing capacities in the Clearfield segment.

Net investment income in fiscal year 2024 was \$7,472,000 compared to \$5,206,000 for fiscal year 2023. The increase in interest income is due to a higher average investments balance and higher interest rates earned for the year ended September 30, 2024. The higher overall investments balance is a result of the Company's capital raise of approximately \$130,000,000 completed late in the first fiscal quarter of 2023 and cash generated from operations in fiscal 2024. The Company invests its excess cash primarily in Federal Deposit Insurance Company ("FDIC") backed bank certificates of deposit, United States ("U.S.") treasury securities, and money market funds and accounts. We expect interest income to remain at these levels through fiscal year 2025, subject to changes in market interest rates and changes in the average investments balance.

Interest expense in fiscal year 2024 was \$506,000 compared to \$881,000 for fiscal year 2023. The decrease is primarily due to the decrease in the average factoring liability held by Nestor Cables during fiscal year 2024.

Income tax benefit for fiscal year 2024 was \$3,803,000 compared to income tax expense of \$9,079,000 for fiscal year 2023. The decrease in tax expense of \$12,882,000 from the year ended September 30, 2023, is primarily due to the decrease in pretax book income for fiscal year 2024. The increase in the income tax expense rate to 23.4% for fiscal year 2024 from 21.8% for fiscal year 2023 is primarily due to changes in state tax, foreign tax and decreased excess tax benefits from stock option exercises and restricted stock vesting, resulting in a shortfall in the current period. decreased excess tax benefits related to stock option exercises and restricted stock vesting, resulting in a shortfall in the current period. Our provision for income taxes includes current U.S. federal, state and foreign current and deferred tax expense.

Net loss for fiscal year 2024 was \$12,453,000 or \$(0.85) per basic and diluted share compared to net income of \$32,533,000 or \$2.17 per basic and diluted share for fiscal year 2023.

Year ended September 30, 2023, compared to year ended September 30, 2022

The Company's net sales for fiscal year 2023 decreased 1%, or \$2,163,000, to \$268,720,000 from net sales of \$270,883,000 in fiscal year 2022. The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. Accordingly, international sales represented 19% and 6% of net sales for the years ended September 30, 2023, and 2022, respectively.

The decrease in net sales for fiscal year 2023 of \$2,163,000 compared to fiscal year 2022 is attributable to decreased demand across the Clearfield's segment core markets. Sales to the Community Broadband market decreased 12%, or \$15,312,000, from \$127,478,000 in fiscal year 2022 to \$112,166,000 in fiscal year 2023. Sales to Clearfield's MSO/Cable TV market decreased 5%, or \$2,252,000, from \$47,921,000 in fiscal year 2022 to \$45,669,000 in fiscal year 2023. Sales to National Carriers decreased 17%, or \$1,817,000, from \$10,772,000 in fiscal year 2022 to \$8,954,000 in fiscal year 2023. The decrease in sales to these customers was due to a lull in demand for fiber connectivity products as customers digest their larger than normal inventory levels built up during the pandemic which were purchased over the previous years. Net sales to International customers increased 226% or \$34,570,000 from \$15,316,000 in fiscal year 2022 to \$49,885,000 in fiscal year 2023, primarily driven by the Company's acquisition of Nestor Cables in July 2022.

Revenue from customers is obtained from purchase orders submitted from time to time, with a limited number of customers recently 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, which may result in changes in customer ordering trends in a relatively short period of time. 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 fiscal year 2023 was \$183,441,000, an increase of \$25,505,000, or 16%, from the \$157,936,000 in fiscal year 2022. Gross profit decreased 25%, or \$27,669,000, from \$112,947,000 for fiscal year 2022 to \$85,278,000 for fiscal year 2023. The decrease in gross profit was primarily due to lower net sales and lower gross profit margin in fiscal year 2023 in the Clearfield segment.

Gross profit percent was 31.7% in fiscal year 2023 compared to 41.7% in fiscal year 2022. Gross profit margin was negatively affected by excess overhead and production capacity in the Company's Clearfield segment that was underutilized. The Company continues to realign capacity to current market conditions. Gross profit was also affected by lower gross profit realized in our Nestor Cables cable manufacturing business which was acquired in July 2022 and was not included in the comparable period of fiscal 2022.

Selling, general and administrative expense for fiscal year 2023 was \$47,992,000, a decrease of \$1,155,000, or 2%, compared to \$49,130,000 for fiscal year 2022. While relatively consistent year over year, expense for the year ended September 30, 2023, decreased due to lower performance-based compensation and transaction costs, offset by additional professional and legal expenses related to the Nestor Cables business acquired in July 2022, as well as increased Clearfield employee compensation costs, stock-based compensation and travel and entertainment expenses.

Income from operations for fiscal year 2023 was \$37,286,000 compared to \$63,817,000 for fiscal year 2022. The decrease is attributable to lower sales and gross profit due to excess supply of fiber products in the Clearfield segment as described above, higher unabsorbed overhead related to expanded manufacturing capacities in the Clearfield segment, as well as a full year of Nestor Cables, which has a lower gross profit profile related to its bulk cable and duct product offerings.

Net investment income in fiscal year 2023 was \$5,206,000 compared to \$328,000 for fiscal year 2022. The increase in interest income was due to a higher average investments balance and higher interest rates earned for the year ended September 30, 2023. The higher investments balance was a result of the Company's capital raise of approximately \$130,000,000 completed in the first fiscal quarter of 2023. The Company invested its excess cash primarily in FDIC backed bank certificates of deposit, U.S. treasury securities, and money market funds and accounts.

Interest expense in fiscal year 2023 was \$881,000 compared to \$311,000 for fiscal year 2022. The increase was primarily due to incurring a full year of interest expense on the factoring liability held by Nestor Cables which was acquired in July 2022.

Income tax expense for fiscal year 2023 was \$9,079,000 compared to \$14,472,000 for fiscal year 2022. The decrease in tax expense of \$5,393,000 from the year ended September 30, 2022, was primarily due to the decrease in taxable income for fiscal year 2023. The decrease in the income tax expense rate to 21.8% for fiscal year 2023 from 22.7% for fiscal year 2022 was due to decreased permanent addback items including nondeductible compensation and transaction costs. Our provision for income taxes included current U.S. federal tax expense and state tax expense, Finland taxes and deferred tax expense.

Net income for fiscal year 2023 was \$32,533,000, or \$2.17 per basic and diluted share, compared to \$49,362,000, or \$3.58 per basic and \$3.55 per diluted share, for fiscal year 2022.

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.

On July 26, 2022, Clearfield, through its newly created Finnish subsidiary, Clearfield Finland Oy, acquired all of the equity of Nestor Cables Oy, which has a wholly owned Estonian subsidiary Nestor Cables Baltics OÜ. Following the closing of the acquisition of Nestor Cables on July 26, 2022, the Company reassessed its operating segments as defined under ASC 280, *Segment Reporting*. Under ASC 280, operating segments are defined as components of an enterprise where discrete financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM"), in deciding how to allocate resources and in assessing performance. Prior to July 26, 2022, we were considered to be a single operating segment structure. Based upon the Company's assessment following the acquisition of Nestor Cables, the Company determined that the business of Nestor Cables was considered a second reportable segment as of July 26, 2022. Accordingly, beginning with the year ended September 30, 2022, the Company has two reportable segments: (1) Clearfield; and (2) Nestor Cables. The entities that comprise the Nestor Cables segment are Clearfield Finland Oy, Nestor Cables Oy and Nestor Cables Baltics OÜ.

Reportable segments are as follows:

- **Clearfield Segment** – The Clearfield segment designs, manufactures, and sells fiber management, protection, and delivery solutions. For fiscal year 2024 and 2023, net sales from the Clearfield segment comprised 75% and 84% 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 fiscal year 2024 and 2023, net sales from the Nestor Cables segment comprised 25% and 16% of the Company's total net sales, respectively.

Clearfield Segment

The following table provides net sales and net (loss) income for the Clearfield segment for the fiscal years ended:

(In thousands)	September 30, 2024	September 30, 2023	September 30, 2022
Segment net external sales	\$ 125,568	\$ 225,722	\$ 263,822
Segment net (loss) income	\$ (8,514)	\$ 32,834	\$ 49,771

Net sales in the Clearfield segment decreased 44%, or \$100,154,000, for the fiscal year ended September 30, 2024, resulting from decreased sales to its Community Broadband, MSO/Cable TV, and Large Regional customers as these customers work to digest inventory that was purchased previously during the period of long lead time supply chain created by the pandemic.

Net loss in the Clearfield segment for the fiscal year ended September 30, 2024 increased 128%, or \$41,348,000, from net income of \$32,834,000 for the fiscal year ended September 30, 2023, driven by the changes in sales outlined above, as well as lower gross profit margin which was negatively affected by the buildup in capacity that was not utilized, as well as reserves for inventory.

Nestor Cables Segment

The following table provides net sales and net loss for the Nestor Cables segment for the fiscal year ended:

(In thousands)	September 30, 2024	September 30, 2023	September 30, 2022
Segment net external sales	\$ 41,137	\$ 42,998	\$ 7,061
Segment net loss	\$ (3,939)	\$ (301)	\$ (409)

Net sales in the Nestor Cables segment decreased 4%, or \$1,861,000, for the fiscal year ended September 30, 2024, as compared to the fiscal year ended September 30, 2023, excluding sales to the Clearfield segment.

Net loss in the Nestor Cables segment for the fiscal year ended September 30, 2024, increased 112%, or \$3,638,000, from the fiscal year ended September 30, 2023, driven by lower gross profit margin as well as increased operating expenses.

Sales Backlog

Sales backlog reflects purchase order commitments for our products received from customers that have yet to be fulfilled. The Company had a backlog of \$25,133,000 and \$57,285,000 as of September 30, 2024, and 2023, respectively. The decrease in backlog was primarily due to a lull in demand for fiber connectivity products at our Clearfield segment as customers digest their larger than normal inventory levels built up during the pandemic which were purchased over the previous years. We believe that the Nestor Cables segment generally experiences the same seasonality as the Clearfield segment.

Liquidity and Capital Resources

As of September 30, 2024, the Company had combined consolidated balances of cash, cash equivalents, short-term and long-term investments of \$155,497,000 compared to \$174,456,000 as of September 30, 2023. Additionally, we have a line of credit for \$40 million that has no outstanding borrowing as of September 30, 2024. Our excess cash is invested mainly in certificates of deposit backed by the FDIC, U.S. Treasury securities, and money market funds.

On April 27, 2022, Clearfield entered into a loan agreement and a security agreement to provide the Company with a \$40 million 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 September 30, 2024, the interest rate was 7.05%. The loan agreement and the security agreement contained 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.

On August 5, 2024, the Company entered into an amendment to the loan agreement that, among other things, (i) 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; (ii) added 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) waived 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.

As of September 30, 2024, the Company had no borrowings against this line of credit and was in compliance with all applicable covenants. As of September 30, 2024, and 2023, the Company had a loan for €2,000,000, which equates to \$2,228,000 and \$2,112,000, as of September 30, 2024 and 2023, respectively. We believe the combined balances of short-term cash and investments, along with long-term investments and available bank lines of credit, provide a more accurate indication of our available liquidity.

We believe our existing cash equivalents and short-term investments, along with cash flow from operations and line of credit, 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 and potential future strategic transactions, as well as execution of the share repurchase program adopted by our board of directors. Effective January 27, 2022, the Company reinstated its stock repurchase program that had been suspended due to COVID uncertainty in April 2020. The Company's board of directors increased the share repurchase program \$18,000,000 effective November 7, 2023, and an additional \$25,000,000 effective April 30, 2024, to an aggregate of \$65,000,000. During the year ended September 30, 2024, the Company repurchased 1,164,190 shares for approximately \$33,058,000. As of September 30, 2024, we have repurchased an aggregate of 1,729,780 shares for \$40,077,000 leaving approximately \$24,923,000 available within our \$65,000,000 stock repurchase program. The repurchase program does not obligate Clearfield to repurchase any particular amount of common stock during any period. The repurchases will be funded by cash on hand. During the year ended September 30, 2023, the Company did not repurchase any shares under the stock repurchase program.

Operating Activities

Net cash provided by operations for the fiscal year ended September 30, 2024, totaled \$22,223,000. Cash provided by operations included net loss of \$12,453,000 for the fiscal year ended September 30, 2024, non-cash income and expenses for depreciation and amortization of \$7,411,000, stock-based compensation of \$4,641,000, amortization of discount on investments of \$4,406,000, in addition to changes in operating assets and liabilities using cash. Changes in operating assets and liabilities using cash include a decrease in net inventories of \$31,990,000 and a decrease in accounts receivable of \$7,799,000. The decrease in inventory is due to lower inventory purchases during fiscal year 2024 as the Company utilized inventory on hand to fulfill customer orders to support sales demand, as well as higher excess inventory charges taken in fiscal year 2024. The decrease in accounts receivable is due to lower net sales in the fiscal 2024 compared to the prior year. Days sales outstanding ("DSO"), which measures how quickly receivables are collected, decreased 11 days from 53 to 42 from September 30, 2023, to September 30, 2024. Changes in operating assets and liabilities using cash include an increase in other assets of \$9,225,000 and receiving cash due to an increase in accounts payable and accrued expenses of \$544,000. The increase in other assets is related to prepaid expenses including value added taxes related to cross border inventory transfers.

Net cash provided by operations for the fiscal year ended September 30, 2023, totaled \$18,423,000. Cash provided by operations included net income of \$32,533,000 for the fiscal year ended September 30, 2023, non-cash expenses for depreciation and amortization of \$6,054,000, stock-based compensation of \$3,578,000, amortization of discount on investments of \$3,512,000, in addition to changes in operating assets and liabilities using cash. Changes in operating assets and liabilities using cash include an increase in net inventories of \$15,083,000 and a decrease in accounts payable and accrued expenses of \$27,843,000. The increase in inventory is a result of additional stocking levels to support the Company's anticipated customer demand, as well as stocking of long lead time components to limit manufacturing delays due to raw material component shortages and supply chain delays experienced during the pandemic. The decrease in accounts payable is due to lower purchasing activity of inventory near the end of the period in response to lower demand from customers, as well as lower performance-based compensation accruals as of September 30, 2023. Also, changes in operating assets and liabilities providing cash include a decrease in accounts receivable of \$26,277,000, due to lower net sales in the Company's fourth quarter of fiscal 2023 compared to the prior year. DSO remained consistent as it increased 1 day from 52 to 53 from September 30, 2022, to September 30, 2023.

Net cash provided by operations for the fiscal year ended September 30, 2022, totaled \$2,258,000. Cash provided by operations included net income of \$49,362,000 for the fiscal year ended September 30, 2022, non-cash expenses for depreciation and amortization of \$3,426,000, stock-based compensation of \$2,339,000, in addition to changes in operating assets and liabilities using cash. Changes in operating assets and liabilities using cash include an increase in net inventories of \$43,744,000 and accounts receivables of \$24,234,000. The increase in inventory is a result of additional stocking levels to support the Company's increased sales backlog and higher demand, and stocking of high turn and long lead time components to limit manufacturing delays due to raw material component shortages and supply chain delays. The increase in accounts receivable was due to higher net sales as well as increased DSO due to higher sales to certain customers with longer payment terms. DSO increased 13 days from 39 to 52 from September 30, 2021, to September 30, 2022. Also, changes in operating assets and liabilities providing cash include an increase in accounts payable and accrued expenses of \$15,760,000, due to timing of accounts payable and \$8,738,000 in fiscal year 2022 incentive compensation accruals to be paid after year end.

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. For the fiscal year ended September 30, 2024, the Company received proceeds from maturities of investments of \$162,064,000 and used cash to purchase \$159,393,000 of investments in certificates of deposit below FDIC insured levels and U.S. Treasuries. The Company used \$9,567,000 in cash to purchase fixed and intangible assets. The result is cash used in investing activities of \$6,896,000 in fiscal year 2024. In fiscal year 2025, the Company intends to continue investing in the necessary information technology, manufacturing equipment, and facility needs.

For the fiscal year ended September 30, 2023, the Company received proceeds from maturities of investments of \$107,060,000 and used cash to purchase \$210,923,000 of investments in certificates of deposit below FDIC insured levels and U.S. Treasuries. The Company used \$8,384,000 in cash to purchase fixed and intangible assets. The result is cash used in investing activities of \$112,247,000 in fiscal year 2023.

For the fiscal year ended September 30, 2022, the Company had \$17,386,000 of FDIC-backed certificates of deposit and U.S. Treasuries mature or be sold. The Company used \$9,148,000 in cash to purchase fixed and intangible assets. Additionally, the Company used \$16,187,000 in cash to acquire Nestor Cables in July 2022. The result was cash used in investing activities of \$8,197,000 in fiscal year 2022.

Financing Activities

For the fiscal year ended September 30, 2024, the Company used cash to repurchase \$33,058,000 of our common stock on the open market under our stock repurchase program. In connection with the stock repurchase, the Company accrued \$316,000 of U.S. Federal excise taxes to be paid during fiscal year 2025. We received \$586,000 from employees' purchase of stock through our Employee Stock Purchase Plan ("ESPP") The Company also used cash of \$3,617,000 on repayments on factored accounts receivables, net of borrowings and \$493,000 to pay for taxes as a result of employees' vesting of restricted shares using share withholding. As a result, the net cash used for financing activities during fiscal year 2024 was \$36,907,000.

For the fiscal year ended September 30, 2023, the Company received \$130,262,000 of net proceeds through the issuance of common stock in the first quarter of fiscal 2023. The Company received cash of \$1,587,000 on borrowings on factored accounts receivables, net of repayments The Company also received \$611,000 from employees' purchase of stock through our ESPP and \$954,000 related to issuance of stock as payment for incentive compensation. The Company used \$16,700,000 to pay down in full the then-outstanding principal on our line of credit, which was originally drawn in the fourth quarter of fiscal 2022 to fund the acquisition of Nestor Cables. The Company also used \$491,000 related to share withholding for exercise and taxes associated with the issuance of common stock upon cashless exercise of stock options and used \$1,220,000 to pay for taxes as a result of employees' vesting of restricted shares using share withholding. As a result, the net cash provided by financing activities during fiscal year 2023 was \$115,002,000.

For the fiscal year ended September 30, 2022, the Company borrowed \$16,700,000 on its line of credit to fund the July acquisition of Nestor Cables. The Company received \$544,000 from employees' purchase of stock through our ESPP and \$1,258,000 on repayments on factored accounts receivables, net of borrowings. The Company used \$5,183,000 related to share withholding for exercise and taxes associated with the issuance of common stock upon cashless exercise of stock options and used \$1,406,000 to pay for taxes as a result of employees' vesting of restricted shares using share withholding. As a result, the net cash provided by financing activities during fiscal year 2022 was \$9,397,000.

Operating Leases

We have entered into various non-cancelable operating lease agreements for office equipment at our office and manufacturing spaces in Minnesota, Mexico, Finland, and Estonia expiring at various dates through August 2034. Certain of these leases have escalating rent payment provisions. We recognize rent expense under such leases on a straight-line basis over the term of the lease.

Critical Accounting Estimates

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our sales, income from operations and net income, as well as on the value of certain assets and liabilities on our consolidated balance sheets. We believe there are several accounting policies that are critical to an understanding of our historical and future performance, as these policies affect the reported amounts of sales, expenses and significant estimates and judgments applied by management. While there are a number of accounting policies, methods and estimates affecting our financial statements, areas that are particularly significant include:

- Accounting for stock-based compensation
- Income taxes
- Valuation of inventory, long-lived assets, finite lived intangible assets and goodwill
- Valuation in business combinations

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards at fair value over the requisite service period. We use the Black-Scholes option pricing model to determine the fair value of options. For restricted stock grants, fair value is determined as the closing price of the Company's stock on the date of grant. Equity-based compensation expense is broken out between cost of sales and selling, general and administrative expenses based on the classification of the employee. The determination of fair value of stock-based awards on the date of grant using an option-pricing model is affected by our stock price as well as by assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

The expected terms of the options are based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at grant date. Volatility is based on historical and expected future volatility of the Company's stock. The Company has not historically issued any dividends and does not expect to in the future. Forfeitures for both option and restricted stock grants are estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from estimates.

If factors change and we employ different assumptions in the determination of the fair value of grants in future periods, the related compensation expense that we record may differ significantly from what we have recorded in the current periods.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, under which deferred income taxes are recognized based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income, and available tax planning strategies. If tax regulations, operating results, or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. A valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized. The recorded valuation allowance is based on significant estimates and judgments and if the facts and circumstances change, the valuation allowance could materially change.

In accounting for uncertainty in income taxes, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

As of September 30, 2024, and 2023, the Company had no U.S. federal or Estonia net operating loss ("NOL") carry-forwards. As of September 30, 2024, there is a state NOL of \$64,000. There was no state NOL as of September 30, 2023 As of September 30, 2024, and 2023, there is a Finnish NOL of \$1,851,000 and \$1,000, respectively.

As part of the process of preparing our financial statements, we are required to estimate our income tax liability in each of the jurisdictions in which we do business. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that these deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not more likely than not or unknown, we must establish a valuation allowance. If the valuation allowance is reduced, the Company would record an income tax benefit in the period in which that determination is made. If the valuation allowance is increased, the Company would record additional income tax expense.

The Company files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. Based on its evaluation, the Company has concluded that it has no significant unrecognized tax benefits. The Company is generally subject to U.S. federal examination for all tax years after 2019. The Company is subject to state examinations for all tax years after 2014 due to unexpired research and development credit carryforwards still open under statute. Nestor is generally subject to Finland examination for all tax years after 2020 and Estonia examination for all tax years after 2020.

Impairment of Long-Lived Assets, Intangible Assets and Goodwill

The Company's long-lived assets as of September 30, 2024, consisted primarily of property, plant and equipment, right of use lease assets, patents, intangibles, and goodwill. The Company reviews the carrying amount of its property, plant and equipment, right of use lease assets, and intangible assets if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When this review indicates the carrying amount of an asset or asset group exceeds the sum of the future undiscounted cash flows expected to be generated by the assets, the Company recognizes an asset impairment charge against operations for the amount by which the carrying amount of the impaired asset exceeds its fair value.

Determining fair values of property, plant, and equipment, right of use lease assets, and intangible assets using a discounted cash flow method involves significant judgment and requires the Company to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Judgments are based on historical experience, current market trends, consultations with external valuation specialists and other information. If facts and circumstances change, the use of different estimates and assumptions could result in a materially different outcome. The Company generally develops these forecasts based on recent sales data for existing products, planned timing of new product launches or acquisitions, and estimated future growth of the FTTP market.

Goodwill represents the excess purchase price over the fair value of tangible net assets acquired in acquisitions after amounts have been allocated to intangible assets. Goodwill is tested for impairment annually at fiscal year-end, or more frequently when events or changes in circumstances indicate that the asset might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition. 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. During the years ended September 30, 2024, 2023, and 2022, there were no triggering events that indicated goodwill or intangible assets may be impaired.

If after assessing the totality of events or circumstances, the Company were to determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the Company would perform a quantitative test that compares the fair value to its carrying value to determine the amount of any impairment.

If the carrying amount of a reporting unit exceeds its fair value, the Company would measure the possible goodwill impairment loss based on an allocation of the estimate of fair value of the reporting unit to all of the underlying assets and liabilities of the reporting unit, including any previously unrecognized intangible assets. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill. An impairment loss would be based on significant estimates and judgments, and if the facts and circumstances change, a potential impairment could have a material impact on the Company's financial statements.

No impairment of goodwill or intangible assets has occurred during the years ended September 30, 2024, 2023, and 2022, respectively.

Valuation of Inventory

The Company maintains a material amount of inventory to support its manufacturing operations and customer demand. This inventory is stated at average cost, subject to the lower of cost or net realizable value. On a regular basis, the Company reviews its inventory and identifies inventory which is excess, slow moving, or obsolete by considering factors such as inventory levels, expected product life, and forecasted sales demand. Any identified excess, slow moving, and obsolete inventory is written down to its market value through a charge to cost of sales. It is possible that additional inventory write-down charges may be required in the future if there is a significant decline in demand for the Company's products and the Company does not adjust its inventory procurement accordingly.

Valuation in Business Combinations

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting under ASC 805, *Business combinations*. Amounts paid for each acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the dates of acquisition. The value recorded is based on estimates of future financial projections. These cash flow projections are discounted with a risk adjusted rate. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, which is considered management's best estimate of inputs and assumptions that a market participant would use. We allocate any excess purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed to goodwill.

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.

In March 2024, the SEC adopted rules under SEC Release No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures 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, and January 1, 2026, respectively, subject to legal challenges and the SEC's voluntary stay of the disclosure requirements. The Company is currently evaluating the impact these rules will have on its consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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. As of September 30, 2024, and 2023, the Company had combined consolidated balances of cash, cash equivalents, short term, and long-term investments of \$155,497,000 and \$174,456,000, respectively.

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 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 fiscal year 2024 would have increased or decreased by approximately \$700,000 or approximately 1%. 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 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 which has outpaced our ability to reduce the cost structure and manufacturability. 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 financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Company. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting as of September 30, 2024. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—2013 Integrated Framework. Based on management's evaluation and those criteria, management concluded that the Company's system of internal control over financial reporting was effective as of September 30, 2024.

Management's internal control over financial reporting as of September 30, 2024, has been audited by Baker Tilly US, LLP, an independent registered public accounting firm, as stated in their report appearing on the following page, in which they expressed an unqualified opinion thereon.

Date: November 15, 2024

/s/ Cheryl Beranek
Cheryl Beranek
Chief Executive Officer

/s/ Daniel Herzog
Daniel Herzog
Chief Financial Officer

Further discussion of our internal controls and procedures is included in Item 9A of this report, under the caption "Controls and Procedures."

Clearfield, Inc.
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Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Clearfield, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Clearfield, Inc. (the "Company") as of September 30, 2024 and 2023, the related consolidated statements of earnings, shareholders' equity, and cash flows, for each of the three years in the period ended September 30, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2024, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management report. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Inventories, Net – Excess, Slow-Moving and Obsolete Inventory Reserve- Refer to Note 1 to the consolidated financial statements

Critical Audit Matter Description

The Company establishes inventory reserves which represent an amount for excess, slow-moving and obsolete inventory on hand that is expected to be written off or otherwise disposed of below cost at a future date. The Company's estimate of the appropriate amount of the excess, slow-moving and obsolete inventory reserve utilizes certain inputs and involves judgment. Such inputs include data associated with historical sales trends, expected product life, forecasted sales demand and product mix and the Company's core products. The calculation and analysis of historical sales data, expected product life, and forecasted sales demand and the application of this analysis to on-hand inventory involves complex analysis.

We identified the estimated inventory reserve for excess, slow-moving and obsolete inventory as a critical audit matter given the estimation uncertainty is impacted by a number of subjective factors including product lifecycle and forecasted sales demand. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the methodology and the reasonableness of these subjective factors in combination with assumptions and inputs including historical sales trends, forecasted sales demand, and the on-hand inventory product mix used to determine excess, slow-moving and obsolete inventory.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included:

- We tested the design and operating effectiveness of controls over management's excess, slow-moving and obsolete inventory reserve estimate.
- We compared actual write-off activity in the current year to the excess and slow-moving inventory reserve estimated by the Company in the prior year to evaluate management's ability to accurately estimate the excess and slow-moving inventory reserve.
- We evaluated the appropriateness of and performed audit procedures over specified inputs supporting management's excess, slow-moving and obsolete inventory reserve estimate, including the inventory turns of on-hand inventory, historical sales of inventory, order backlog and historical write-off activity.
- We evaluated the appropriateness and consistency of management's methods and assumptions used in developing their estimate of the excess and slow-moving inventory reserve, which included consideration of product mix and the Company's core products, product life cycle, forecasted sales demand and inventory turns of on-hand inventory.
- We reperformed the calculation of the excess and slow-moving inventory reserve utilizing the inputs, assumptions, and methodology consistent with management's estimate.

/s/ Baker Tilly, US, LLP

We have served as the Company's auditor since 2013.

Minneapolis, Minnesota

November 15, 2024

CLEARFIELD, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2024	September 30, 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,167	\$ 37,827
Short-term investments	114,825	130,286
Accounts receables, net	21,309	28,392
Inventories, net	66,766	98,055
Other current assets	10,528	1,695
Total current assets	<u>229,595</u>	<u>296,255</u>
Property, plant and equipment, net	23,953	21,527
Other Assets		
Long-term investments	24,505	6,343
Goodwill	6,627	6,528
Intangible assets, net	6,343	6,092
Right-of-use lease assets	15,797	13,861
Deferred tax asset	6,135	3,039
Other	2,320	1,872
Total other assets	<u>61,727</u>	<u>37,735</u>
Total Assets	<u><u>\$ 315,275</u></u>	<u><u>\$ 355,517</u></u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of lease liability	\$ 3,357	\$ 3,737
Current maturities of long-term debt	-	2,112
Accounts payable	6,720	8,891
Accrued compensation	6,977	5,571
Accrued expenses	4,378	2,404
Factoring liability	2,920	6,289
Total current liabilities	<u>24,352</u>	<u>29,004</u>
Other Liabilities		
Long-term debt, net of current maturities	2,228	-
Long-term portion of lease liability	12,771	10,629
Deferred tax liability	161	721
Total liabilities	<u>39,512</u>	<u>40,354</u>
Shareholders' Equity		
Preferred stock, \$.01 par value; 500,000 shares; no shares issued or outstanding	-	-
Common stock, authorized 50,000,000, \$.01 par value; 14,229,107 and 15,254,725 shares issued and outstanding as of September 30, 2024 and September 30, 2023, respectively	142	153
Additional paid-in capital	159,580	188,218
Accumulated other comprehensive income (loss)	1,079	(544)
Retained earnings	114,962	127,336
Total shareholders' equity	<u>275,763</u>	<u>315,163</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 315,275</u></u>	<u><u>\$ 355,517</u></u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT SHARE DATA)

	Year Ended September 30, 2024	Year Ended September 30, 2023	Year Ended September 30, 2022
Net sales	\$ 166,705	\$ 268,720	\$ 270,883
Cost of sales	137,816	183,441	157,936
Gross profit	28,889	85,279	112,947
Operating expenses			
Selling, general and administrative	52,111	47,992	49,130
(Loss) Income from operations	(23,222)	37,287	63,817
Net investment income	7,472	5,206	328
Interest expense	(506)	(881)	(311)
(Loss) Income before income taxes	(16,256)	41,612	63,834
Income tax (benefit) expense	(3,803)	9,079	14,472
Net (loss) income	<u>\$ (12,453)</u>	<u>\$ 32,533</u>	<u>\$ 49,362</u>
Net (loss) income per share Basic	<u>(0.85)</u>	<u>2.17</u>	<u>3.58</u>
Net (loss) income per share Diluted	<u>\$ (0.85)</u>	<u>\$ 2.17</u>	<u>\$ 3.55</u>
Weighted average shares outstanding:			
Basic	14,582,450	14,975,972	13,771,665
Diluted	14,582,450	15,012,527	13,905,984

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Year Ended September 30, 2024	Year Ended September 30, 2023	Year Ended September 30, 2022
Comprehensive (loss) income:			
Net (loss) income	\$ (12,453)	\$ 32,533	\$ 49,362
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on available-for-sale investments	748	542	(1,590)
Unrealized gain (loss) on foreign currency translation	875	812	(308)
Total other comprehensive income (loss)	<u>1,623</u>	<u>1,354</u>	<u>(1,898)</u>
Total comprehensive (loss) income	<u><u>\$ (10,830)</u></u>	<u><u>\$ 33,887</u></u>	<u><u>\$ 47,464</u></u>

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

For the year ended September 30, 2024	Accumulated other comprehensive income (loss)						Total share-holders' equity
	Common Stock	Additional paid-in capital	comprehensive income (loss)	Retained earnings			
Shares	Amount						
Balance as of September 30, 2023	15,254	\$ 153	\$ 188,218	\$ (544)	\$ 127,336	\$ 315,163	
Stock based compensation expense	-	-	4,641	-	-	-	4,641
Issuance of common stock under equity compensation plans, net	130	1	(1)	-	-	-	-
Issuance of common stock under employee stock purchase plan	24	-	586	-	-	-	586
Exercise of stock options, net of shares exchanged for payment	1	-	(9)	-	-	-	(9)
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(16)	-	(493)	-	-	-	(493)
Repurchase of common stock	(1,164)	(12)	(33,362)	-	-	-	(33,374)
Adoption of new accounting pronouncement	-	-	-	-	79	-	79
Other comprehensive income	-	-	-	1,623	-	-	1,623
Net loss	-	-	-	-	(12,453)	-	(12,453)
Balance at September 30, 2024	14,229	\$ 142	\$ 159,580	\$ 1,079	\$ 114,962	\$ 275,763	
For the year ended September 30, 2023							
Shares	Amount	Additional paid-in capital	comprehensive income (loss)	Retained earnings			Total share-holders' equity
Balance as of September 30, 2022	13,818	\$ 138	\$ 54,539	\$ (1,898)	\$ 94,803	\$ 315,163	
Stock-based compensation expense	-	-	3,578	-	-	-	3,578
Issuance of common stock under equity compensation plans, net	49	-	954	-	-	-	954
Issuance of common stock under employee stock purchase plan	13	-	611	-	-	-	611
Exercise of stock options, net of shares exchanged for payment	11	-	(491)	-	-	-	(491)
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(17)	-	(1,220)	-	-	-	(1,220)
Issuance of common stock, net	1,380	15	130,247	-	-	-	130,262
Other comprehensive income	-	-	-	1,354	-	-	1,354
Net income	-	-	-	-	32,533	-	32,533
Balance as of September 30, 2023	15,254	\$ 153	\$ 188,218	\$ (544)	\$ 127,336	\$ 315,163	
For the year ended September 30, 2022							
Shares	Amount	Additional paid-in capital	comprehensive income (loss)	Retained earnings			Total share-holders' equity
Balance as of September 30, 2021	13,732	\$ 137	\$ 58,246	\$ -	\$ 45,441	\$ 103,824	
Stock-based compensation expense	-	-	2,339	-	-	-	2,339
Issuance of common stock under equity compensation plans, net	26	-	-	-	-	-	-
Issuance of common stock under employee stock purchase plan	13	-	544	-	-	-	544
Exercise of stock options, net of shares exchanged for payment	60	1	(5,184)	-	-	-	(5,183)
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(13)	-	(1,406)	-	-	-	(1,406)
Other comprehensive loss	-	-	-	(1,898)	-	-	(1,898)
Net income	-	-	-	-	49,362	-	49,362
Balance as of September 30, 2022	13,818	\$ 138	\$ 54,539	\$ (1,898)	\$ 94,803	\$ 147,582	

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended September 30, 2024	Year Ended September 30, 2023	Year Ended September 30, 2022
Cash flows from operating activities			
Net (loss) income	\$ (12,453)	\$ 32,533	\$ 49,362
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,411	6,054	3,426
Amortization of discount on investments	(4,406)	(3,512)	(42)
Deferred taxes	(4,078)	(2,114)	(326)
Stock-based compensation	4,641	3,578	2,339
Changes in operating assets and liabilities, net of acquired amounts:			
Accounts receivable	7,799	26,277	(24,234)
Inventories, net	31,990	(15,083)	(43,744)
Other assets	(9,225)	(1,466)	(282)
Accounts payable and accrued expenses	544	(27,843)	15,759
Net cash provided by operating activities	<u>22,223</u>	<u>18,424</u>	<u>2,258</u>
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	(9,567)	(8,384)	(9,148)
Purchases of investments	(159,393)	(210,923)	(248)
Proceeds from sales and maturities of investments	162,064	107,060	17,386
Business acquisition, net of cash acquired	-	-	(16,187)
Net cash used in investing activities	<u>(6,896)</u>	<u>(112,247)</u>	<u>(8,197)</u>
Cash flows from financing activities			
Issuance of long-term debt	2,171	(16,700)	16,700
Repayment of long-term debt	(2,171)	-	-
Proceeds from issuance of common stock under employee stock purchase plan	586	611	544
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(493)	(1,220)	(1,406)
Withholding related to exercise of stock options	(9)	(491)	(5,183)
Issuance of stock under equity compensation plans	1	954	-
Net borrowings and repayments of factoring liability	(3,617)	1,586	(1,258)
Net proceeds from issuance of common stock	-	130,262	-
Repurchase of common stock	(33,374)	-	-
Net cash (used in) provided by financing activities	<u>(36,906)</u>	<u>115,002</u>	<u>9,397</u>
Effect of exchange rates on cash	(81)	(2)	(24)
(Decrease) Increase in cash and cash equivalents	(21,660)	21,177	3,434
Cash and cash equivalents, beginning of year	37,827	16,650	13,216
Cash and cash equivalents, end of year	<u>\$ 16,167</u>	<u>\$ 37,827</u>	<u>\$ 16,650</u>
Supplemental disclosures for cash flow information			
Cash paid during the year for income taxes	\$ 159	\$ 12,967	\$ 13,744
Cash paid for interest	\$ 394	\$ 463	\$ 119
Right of use assets obtained through lease liabilities	\$ 4,731	\$ 3,776	\$ 12,016
Non-cash financing activities			
Cashless exercise of stock options	\$ 19	\$ 566	\$ 1,624

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Description of Business: Clearfield, Inc. and subsidiaries (the "Company") manufactures a broad range of fiber connectivity products to customers throughout the United States and internationally, and since the July 26, 2022, acquisition of Nestor Cables Oy, manufactures fiber optic and copper telecommunication cables and equipment through its Finnish subsidiaries. Refer to Note 11 for further information regarding the acquisition of Nestor Cables.

We are engaged in global operations. Our operations currently comprise of two reportable segments: the Clearfield segment, (referred to herein as "Clearfield") and, since July 26, 2022, the Nestor Cables segment (referred to herein as "Nestor Cables" or "Nestor"). Prior to July 26, 2022, we were considered to be in a single operating segment structure.

The Company's products include fiber distribution systems, optical components, Outside Plant ("OSP") cabinets, and fiber and copper cable assemblies that serve the communication service provider markets, including Fiber-to-the-Premises ("FTTP"), large enterprise, and original equipment manufacturer ("OEM") markets.

Principles of Consolidation: The 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.

Revenue Recognition: Our revenue is comprised of the sale of our products to customers and is recognized when the Company satisfies its performance obligations under the applicable sales contract. 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. Shipping and handling costs charged to our customers are included in net sales, while the corresponding shipping expenses are included in cost of sales. Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenue) basis.

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:

	September 30, 2024	September 30, 2023
<i>(In thousands)</i>		
Cash and cash equivalents:		
Cash, including money market accounts	\$ 5,789	\$ 11,360
Money market funds	10,378	26,467
Total cash and cash equivalents	<u><u>\$ 16,167</u></u>	<u><u>\$ 37,827</u></u>

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.

Investments: The Company invests in certificates of deposit ("CDs") that are fully insured by the Federal Deposit Insurance Corporation ("FDIC") and United States Treasury ("Treasuries") securities with terms of not more than five years, as well as money market funds. Historically, the Company's investment portfolio had been classified as held-to-maturity and recorded at amortized cost. During the second quarter of fiscal 2022, the Company sold investments and has reclassified its investment portfolio to available-for-sale, which is reported at fair value. The unrealized gain or loss on investment securities is recorded in other comprehensive income, 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 consolidated statement of earnings.

Foreign Currency Translation: Balance sheets and statements of earnings of our international subsidiaries are measured using local currency as their functional currency. Assets and liabilities of these operations are translated at the exchange rates in effect at each fiscal year-end. Statements of earnings accounts are translated at the average rates of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a cumulative translation adjustment in shareholders' equity.

Comprehensive Income (Loss): Total comprehensive income and the components of accumulated other comprehensive loss are presented in the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Statements of Shareholders' Equity. Accumulated other comprehensive loss is composed of foreign currency translation effects and unrealized gains and losses on available-for-sale marketable debt securities. We use the individual item approach for releasing income tax effects from accumulated other comprehensive loss.

Fair Value of Financial Instruments: The financial statements include the following financial instruments: cash and cash equivalents; investments; accounts receivable; and accounts payable. The Company estimates the fair value of investments as of the balance sheet date. All other financial instruments' carrying values approximate fair values because of the short-term nature of the instruments.

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). Upon adoption of 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 September 30, 2024, the Company's allowance for credit losses was \$0.

As of September 30, 2023, and 2022, 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.

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:

	September 30, 2024	September 30, 2023
<i>(In thousands)</i>		
Raw materials	\$ 56,842	\$ 73,657
Work-in-process	1,790	1,462
Finished goods	23,389	29,696
Inventories, gross	82,021	104,815
Inventory reserve	(15,255)	(6,760)
Inventories, net	<u><u>\$ 66,766</u></u>	<u><u>\$ 98,055</u></u>

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 any identified excess, slow moving, and obsolete inventory through a charge to cost of sales. Inventory write-down charges may be required in the future if there is a significant decline in demand for the Company's products and the Company does not adjust its manufacturing production accordingly, if new products are not accepted by the market, or if products are end of life through life cycle management.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance are charged to expense when incurred. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated useful lives. Leasehold improvements are amortized over the shorter of the remaining term of the lease or estimated life of the asset.

Estimated useful lives of the assets are as follows:

	Years
Equipment	3 – 15
Leasehold improvements	7 - 10 or life of lease
Vehicles	3

Property, plant and equipment consist of the following:

(In thousands)	September 30, 2024	September 30, 2023
Manufacturing equipment	\$ 27,302	\$ 23,580
Office equipment	4,559	4,560
Leasehold improvements	6,347	6,107
Vehicles	439	446
Construction in progress	6,287	2,447
Property, plant and equipment, gross	44,934	37,140
Less accumulated depreciation	20,981	15,613
Property, plant and equipment, net	<u>\$ 23,953</u>	<u>\$ 21,527</u>

Depreciation expense for the years ended September 30, 2024, 2023, and 2022 was \$ 5,815,000 , \$ 4,915,000 , and \$ 2,647,000 , respectively.

Goodwill and Intangible Assets: Goodwill represents the excess purchase price over the fair value of tangible net assets acquired in acquisitions after amounts have been allocated to intangible assets. Goodwill is tested for impairment annually at fiscal year-end, or more frequently when events or changes in circumstances indicate that the asset might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition. 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. During the years ended September 30, 2024, 2023, and 2022, there were no triggering events that indicated goodwill or intangible assets may be impaired.

If after assessing the totality of events or circumstances, the Company were to determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the Company would perform a quantitative test that compares the fair value to its carrying value to determine the amount of any impairment.

If the carrying amount of a reporting unit exceeds its fair value, the Company would measure the possible goodwill impairment loss based on an allocation of the estimate of fair value of the reporting unit to all the underlying assets and liabilities of the reporting unit, including any previously unrecognized intangible assets. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill. An impairment loss would be based on significant estimates and judgments, and if the facts and circumstances change, a potential impairment could have a material impact on the Company's financial statements.

No impairment of goodwill or intangible assets has occurred during the years ended September 30, 2024, 2023, and 2022, respectively.

Capitalized software: In accordance with ASC 350-40, "Internal-use Software," the Company capitalizes certain costs incurred in connection with developing or obtaining internal-use software. Costs incurred in the preliminary project stage are expensed. All direct costs incurred to develop internal-use software during the development stage are capitalized and amortized using the straight-line method over the estimated useful life, generally 2 to 15 years. Costs such as maintenance and training are expensed as incurred. Research and development costs are also expensed as incurred.

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 September 30, 2024, the Company has 53 patents granted and multiple pending applications both inside and outside the United States.

In addition, the Company has various finite life intangible assets, most of which were acquired as a result of the acquisition of a portfolio of the active cabinet products from Calix, Inc. ("Calix") during fiscal year 2018 and the acquisition of Nestor Cables as of July 26, 2022. Refer to Note 11 for further information regarding the acquisition of Nestor Cables.

The changes in the carrying amount of goodwill by reportable segment for the fiscal year 2024 were as follows:

(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	-	99	99
Balance as of September 30, 2024	\$ 4,709	\$ 1,918	\$ 6,627

The changes in the carrying amount of goodwill by reportable segment for the fiscal year 2023 were as follows:

(In thousands)	Clearfield, Inc.	Nestor Cables	Total
Balance as of September 30, 2022	\$ 4,709	\$ 1,693	\$ 6,402
Currency translation effect on foreign goodwill balances	-	126	126
Balance as of September 30, 2023	\$ 4,709	\$ 1,819	\$ 6,528

Finite life intangible assets as of September 30, 2024, and 2023 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

(In thousands)	Useful Life (Years)	September 30, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value Amount
Customer relationships	15	\$ 4,894	\$ 1,582	\$ 3,312
Certifications	8	584	267	317
Trademarks	8 - 10	1,333	700	633
Patents	20	1,119	165	954
Developed Technology	10	311	22	289
Other	5	6	6	-
Software	1 - 3	2,613	2,026	587
Totals		\$ 10,860	\$ 4,768	\$ 6,092

Amortization expense related to these assets for the years ended September 30, 2024, 2023, and 2022 was \$ 1,567,000 , \$ 1,128,000 , and \$ 766,000 , respectively.

Our future estimated amortization expense for intangibles is as follows as of September 30, 2024:

<i>(In thousands)</i>	Estimated amortization expense
FY 2025	\$ 1,480
FY 2026	763
FY 2027	551
FY 2028	463
FY 2029	444
Thereafter	2,642
Total	\$ 6,343

Impairment of Long-Lived Assets: The Company assesses potential impairments to its long-lived assets or asset groups when there is evidence that events occur or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group.

Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. No impairment of long-lived assets occurred during the years ended September 30, 2024, 2023, or 2022, respectively.

Income Taxes: The Company records income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. The Company establishes a valuation allowance to reduce the deferred tax assets when it is more likely than not that a deferred tax asset will not be realizable. Changes in tax rates are reflected in the tax provision as they occur.

In accounting for uncertainty in income taxes, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. As of September 30, 2024, and 2023, the Company did not have any unrecognized tax benefits. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. We do not expect any material changes in our unrecognized tax benefits over the next 12 months.

Stock-Based Compensation: We measure and recognize compensation expense for all stock-based awards at fair value over the requisite service period. We use the Black-Scholes option pricing model to determine the fair value of options. For restricted stock and performance share unit grants, fair value is determined as the closing price of the Company's stock on the date of grant. Equity-based compensation expense is broken out between cost of sales and selling, general and administrative expenses based on the classification of the employee. The determination of fair value of stock-based awards on the date of grant using an option-pricing model is affected by our stock price as well as by assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

The expected terms of the options are based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at grant date. Volatility is based on historical and expected future volatility of the Company's stock. The Company has not historically issued any dividends and does not expect to in the future. Forfeitures for both option and restricted stock grants are estimated at the time of the grant and revised in subsequent periods if actual forfeitures differ from estimates.

If factors change and we employ different assumptions in the determination of the fair value of grants in future periods, the related compensation expense that we record may differ significantly from what we have recorded in the current periods.

Share Repurchase Program: Effective January 27, 2022, the Company reinstated its stock repurchase program that had been suspended due to COVID uncertainty in April 2020. The Company's board of directors increased the share repurchase program \$ 18,000,000 effective November 7, 2023, and an additional \$ 25,000,000 effective April 30, 2024, to an aggregate of \$ 65,000,000 . During the year ended September 30, 2024, the Company repurchased 1,164,190 shares for approximately \$ 33,058,000 . As of September 30, 2024, we have repurchased an aggregate of 1,729,780 shares for approximately \$ 40,077,000 leaving approximately \$ 24,923,000 available within our \$65,000,000 stock repurchase program. The repurchase program does not obligate the Company to repurchase any particular amount of common stock during any period. The repurchase will be funded by cash on hand.

The Company is authorized to issue 50,000,000 shares of common stock at \$.01 par value and 5,000,000 undesignated shares. From the undesignated shares, 500,000 shares have been designated as Series B Junior Participating Preferred Shares and none of such shares have been issued or are outstanding. The board of directors may, by resolution, establish from the remaining undesignated shares different classes or series of shares and may fix the relative rights and preferences of shares in any class or series.

Research and Development Costs: Research and development costs amounted to \$ 3,000,000 , \$ 3,115,000 and \$ 895,000 for the years ended September 30, 2024, 2023, and 2022, respectively, and are charged to expense when incurred.

Advertising Costs: Advertising costs amounted to \$ 535,000 , \$ 609,000 , and \$ 537,000 for the years ended September 30, 2024, 2023, and 2022, respectively, and are charged to expense when incurred.

Net (Loss) Income Per Share: Basic and diluted net (loss) income per share is computed by dividing net (loss) income by the weighted average number of common shares outstanding and the weighted average number of dilutive shares outstanding, respectively.

Weighted average common shares outstanding for the years ended September 30, 2024, 2023, and 2022 were as follows:

Year ended September 30, (In thousands except share data)	2024	2023	2022
Net (loss) income	\$ (12,453)	\$ 32,533	\$ 49,362
Weighted average common shares	14,582,450	14,975,972	13,771,665
Dilutive potential common shares	-	36,555	134,319
Weighted average dilutive common shares outstanding	14,582,450	15,012,527	13,905,984
(Losses) Earnings per share:			
Basic	\$ (0.85)	\$ 2.17	\$ 3.58
Diluted	\$ (0.85)	\$ 2.17	\$ 3.55

There were no antidilutive shares for the years ended September 30, 2024, 2023, or 2022.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and disclosure about contingent assets and liabilities at the date of the financial statements. Significant estimates include the rebates related to revenue recognition, stock-based compensation and the valuation of inventory, long-lived assets, finite lived intangible assets and goodwill. Actual results may differ materially from these estimates.

Reclassification: The Company has revised the prior period presentation within its Statement of Cashflows for the fiscal years ended September 30, 2023, and 2022 to reclassify the net borrowings and repayments of factoring receivables from the operating activities section of the statement within the line for changes in operating assets and liabilities titled "Accounts payable and accrued expenses" to its own line as currently presented in the financing activities section. We have reviewed the classification changes and determined they are not material to the financial statements as a whole.

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.

In March 2024, the SEC adopted rules under SEC Release No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures 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, and January 1, 2026, respectively, subject to legal challenges and the SEC's voluntary stay of the disclosure requirements. The Company is currently evaluating the impact these rules will have on its consolidated financial statements and related disclosures.

Note 2. Stock Based Compensation

Stock-Based Compensation: The Company's stock-based compensation plans are administered by the Compensation Committee of the board of directors, which selects persons to receive awards and determines the number of shares subject to each award and the terms, conditions, performance measures and other provisions of the award.

On February 23, 2023, the Company's shareholders approved the Clearfield, Inc. 2022 Stock Compensation Plan (the "2022 Plan"). The 2022 Plan became effective on the date of shareholder approval, and no further awards may be made under the Clearfield, Inc. Amended and Restated 2007 Stock Compensation Plan (the "Prior Plan") following the effective date of the 2022 Plan. The total number of shares of stock reserved and available for distribution under the 2022 Plan upon approval was 1,461,461 shares, which includes the number of shares remaining for grant and delivery under the Prior Plan, plus any shares subject to outstanding awards under the Prior Plan as of the effective date of the 2022 Plan that were forfeited, cancelled, or settled for cash.

As of September 30, 2024, \$ 4,989,000 of total unrecognized compensation expense related to non-vested awards is expected to be recognized over a period of approximately 2.1 years. The Company recorded related compensation expense for the years ended September 30, 2024, 2023, and 2022 of \$ 4,641,000, \$ 3,578,000, and \$ 2,339,000, respectively. For the year ended September 30, 2024, \$ 4,432,000 of this expense was included in selling, general and administrative expense and \$ 209,000 was included in cost of sales. For the year ended September 30, 2023, \$ 3,407,000 of this expense was included in selling, general and administrative expense and \$ 171,000 was included in cost of sales. For the year ended September 30, 2022, \$ 2,213,000 of this expense was included in selling, general and administrative expense and \$ 126,000 was included in cost of sales.

Stock Options: The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. During the fiscal year ended September 30, 2024, the Company granted employees non-qualified stock options to purchase an aggregate of 118,706 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 \$ 26.84 . During the fiscal year ended September 30, 2023, the Company granted employees non-qualified stock options to purchase an aggregate of 40,266 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 . During the fiscal year ended September 30, 2022, the Company granted employees non-qualified stock options to purchase an aggregate of 62,730 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 \$ 66.48 .

The fair value of stock option awards during the year ended September 30, 2024, 2023, and 2022 was estimated as of the respective grant dates using the assumptions listed below:

	Year ended September 30, 2024	Year ended September 30, 2023	Year ended September 30, 2022
Dividend yield	0%	0%	0%
Weighted average expected volatility	61.66%	63.14%	52.02%
Weighted average risk-free interest rate	4.55%	3.75%	0.97%
Weighted average expected life (years)	5	5	5
Vesting period (years)	3	3	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 at grant date on zero-coupon U.S. governmental bonds having a remaining life similar to the expected option term.

Options are generally granted at fair market values determined on the date of grant and vesting normally occurs over a three to five-year period. The maximum contractual term is normally six years. Shares issued upon exercise of a stock option are issued from the Company's authorized but unissued shares. There were 90,245 options vested during the year ended September 30, 2024, 79,911 options vested during the year ended September 30, 2023, and 113,727 options vested during the year ended September 30, 2022. For the year ended September 30, 2024, there were 1,501 stock options that were exercised using a cashless method of exercise. For the year ended September 30, 2023, there were 21,630 stock options that were exercised using a cashless method of exercise. For the year ended September 30, 2022, there were 125,651 stock options that were exercised using a cashless method of exercise. The intrinsic value of options exercised during the years ended September 30, 2024, 2023, and 2022 was \$ 25,000 , \$ 1,603,000 , and \$ 11,279,000 , respectively.

Option transactions under the 2022 Plan during the years ended September 30, 2024, and 2023 and under the Prior Plan for the year ended September 30, 2022, are summarized as follows:

	Number of shares	Weighted average exercise price	Weighted average fair value
Outstanding as of September 30, 2021	301,514	\$ 16.25	
Granted	62,730	66.48	\$ 25.54
Exercised	(125,651)	12.92	
Forfeited and expired	(2,084)	19.94	
Outstanding as of September 30, 2022	236,509	\$ 31.30	
Granted	40,266	64.38	\$ 30.83
Exercised	(21,630)	26.16	
Forfeited and expired	(1,021)	18.18	
Outstanding as of September 30, 2023	254,124	\$ 37.04	
Granted	118,706	26.84	\$ 12.96
Exercised	(1,501)	12.40	
Forfeited and expired	(4,345)	38.13	
Outstanding as of September 30, 2024	366,984	\$ 33.83	

The following table summarizes information concerning options exercisable under the 2022 Plan and the Prior Plan as of the years ended September 30, 2024, 2023 and 2022:

As of Year Ended	Exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value (in thousands)
September 30, 2024	181,455	1.50	\$ 32.65	\$ 5,924
September 30, 2023	97,056	2.28	\$ 28.13	\$ 2,731
September 30, 2022	39,276	2.78	\$ 20.26	\$ 3,314

The following table summarizes information concerning options currently outstanding at:

As of Year Ended	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value (in thousands)
September 30, 2024	366,984	2.51	\$ 33.83	\$ 12,414
September 30, 2023	254,124	2.72	\$ 37.04	\$ 9,413
September 30, 2022	236,509	3.22	\$ 31.30	\$ 17,343

Restricted Stock: The 2022 Plan permits, and the Prior Plan permitted, the Compensation Committee of the board of directors to grant stock-based awards, including stock options and restricted stock, to key employees and non-employee directors. The Company has made restricted stock grants that vest over one to ten years.

Restricted stock transactions during the years ended September 30, 2024, 2023, and 2022 are summarized as follows:

	Number of shares	Weighted average grant date fair value
Unvested shares as of September 30, 2021	108,839	\$ 17.14
Granted	29,512	65.90
Vested	(37,094)	17.78
Forfeited	(2,749)	16.84
Unvested shares as of September 30, 2022	98,508	\$ 31.51
Granted	41,492	70.50
Vested	(47,869)	30.98
Forfeited	(1,556)	15.61
Unvested shares as of September 30, 2023	90,575	\$ 49.92
Granted	137,928	26.65
Vested	(58,559)	39.60
Forfeited	(7,737)	27.84
Unvested shares as of September 30, 2024	162,207	\$ 34.91

The fair value of restricted shares vested during the year end September 30, 2024, 2023, and 2022 was \$ 1,796,000 , \$ 3,141,000 , and \$ 3,744,000 respectively. The Company repurchased a total of 15,879 shares of our common stock at an average price of \$ 31.05 in connection with payment of taxes upon the vesting of restricted stock previously issued to employees for the year ended September 30, 2024. The Company repurchased a total of 12,862 shares of our common stock at an average price of \$ 62.20 in connection with payment of taxes upon the vesting of restricted stock previously issued to employees for the year ended September 30, 2023. The Company repurchased a total of 13,292 shares of our common stock at an average price of \$ 105.78 in connection with payment of taxes upon the vesting of restricted stock previously issued to employees for the year ended September 30, 2022.

Performance Stock Units: During the fiscal year ended September 30, 2024, the Company granted 47,745 performance stock units which entitles the recipients to receive the same number of shares of the Company's common stock, 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.

Compensation expense for the performance stock units is measured using the fair value of our common stock at the grant date. For the fiscal year September 30, 2024, the performance goal was not achieved and previously recognized compensation expense related to these awards has been reversed to \$ 0 .

Bonus Stock: During the fiscal year ended September 30, 2023, the Company granted employees an aggregate of 9,144 shares of common 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. No bonus stock was granted in the fiscal years ended September 30, 2024, and 2022.

Employee Stock Purchase Plan: The Clearfield, Inc. 2010 Employee Stock Purchase Plan ("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 that participating employees may 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 July 1 and January 1 of each calendar year. For the phase that ended on December 31, 2023, employees purchased 10,104 shares at a price of \$ 24.72 per share. For the phase that ended on June 30, 2024, employees purchased 13,598 shares at a price of \$ 24.72 per share. As of September 30, 2024, the Company withheld approximately \$ 175,000 from employees participating in the phase that began on July 1, 2024. In February 2020, the shareholders of Clearfield, Inc. approved an increase of 200,000 in the shares authorized for issuance under the ESPP. After the employee purchase on June 30, 2024, 144,548 shares of common stock were available for future purchase under the ESPP.

Note 3. Investments

The Company invests in CDs in amounts that are fully insured by the FDIC and Treasuries with terms of not more than five years, as well as money market funds. During the second quarter of fiscal 2022, the Company sold investments and has reclassified its investment portfolio to available-for-sale, which is reported 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 consolidated statement of earnings. The Company did not sell investment securities during the years ended September 30, 2024, or 2023.

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

	September 30, 2024			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<i>(In thousands)</i>				
Short-Term				
U.S treasury securities	\$ 113,987	\$ 382	\$ (45)	\$ 114,324
Certificates of deposit	500	1	-	501
Investment securities – short-term	\$ 114,487	\$ 384	\$ (45)	\$ 114,825
Long-Term				
U.S treasury securities	\$ 24,514	\$ -	\$ (245)	\$ 24,269
Certificates of deposit	248	-	(12)	236
Investment securities – long-term	\$ 24,762	\$ -	\$ (257)	\$ 24,505

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

(In thousands)	September 30, 2023			
	Cost	Unrealized Gains	Losses	Fair Value
Short-Term				
U.S treasury securities	\$ 122,534	\$ -	\$ (143)	\$ 122,391
Certificates of deposit	<u>8,014</u>	<u>-</u>	<u>(119)</u>	<u>7,895</u>
Investment securities – short-term	<u>130,548</u>	<u>\$ -</u>	<u>\$ (262)</u>	<u>\$ 130,286</u>
Long-Term				
U.S treasury securities	\$ 6,719	\$ -	\$ (596)	\$ 6,123
Certificates of deposit	248	-	(28)	220
Investment securities – long-term	<u>6,967</u>	<u>\$ -</u>	<u>\$ (624)</u>	<u>\$ 6,343</u>

As of 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	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S treasury securities	\$ 19,719	\$ (39)	\$ 6,500	\$ (250)
Certificates of deposit	-	-	236	(12)
Investment securities	<u>19,719</u>	<u>\$ (39)</u>	<u>6,736</u>	<u>\$ (262)</u>

As of September 30, 2023, 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	
	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)
Certificates of deposit	245	-	7,870	(147)
Investment securities	<u>113,153</u>	<u>\$ (131)</u>	<u>23,476</u>	<u>\$ (755)</u>

As of September 30, 2024, and 2023, there were six and 42 securities in an unrealized loss position, respectively, which is due to the securities paying lower interest rates than the market. As of 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 U.S. federal government. The Company had no allowance for credit losses on investments for year ended September 30, 2024.

Note 4. 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 Treasuries and 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 September 30, 2024, according to the three-level fair value hierarchy:

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

During the year ended September 30, 2024, we 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. We had no re-measurements of non-financial assets to fair value in the years-end September 30, 2024, 2023 and 2022.

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

<i>(In thousands)</i>	Fair Value Measurements as of September 30, 2023			
	Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	\$ 26,467	\$ 26,467	\$ -	\$ -
Total cash equivalents	<u>\$ 26,467</u>	<u>\$ 26,467</u>	<u>\$ -</u>	<u>\$ -</u>
Investment securities:				
Certificates of deposit	\$ 8,115	\$ -	\$ 8,115	\$ -
U.S. Treasury securities	128,514	-	128,514	-
Total investment securities	<u>\$ 136,629</u>	<u>\$ -</u>	<u>\$ 136,629</u>	<u>\$ -</u>

Note 5. Other Comprehensive Income (Loss)

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

<i>(In thousands)</i>	Available-for-Sale Securities	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balances at September 30, 2022	\$ (1,224)	\$ (674)	\$ (1,898)
Other comprehensive income for the twelve months ended September 30, 2023	542	812	1,354
Balances at September 30, 2023	\$ (682)	\$ 138	\$ (544)
Other comprehensive income for the twelve months ended September 30, 2024	748	875	1,623
Balances at September 30, 2024	<u><u>\$ 66</u></u>	<u><u>\$ 1,013</u></u>	<u><u>\$ 1,079</u></u>

Note 6. Income Taxes

Components of income tax expense are as follows for the years ended:

<i>(In thousands)</i>	September 30, 2024	September 30, 2023	September 30, 2022
Current:			
Federal	\$ 385	\$ 9,449	\$ 13,230
State	(114)	1,435	1,532
Foreign	4	144	48
Current income tax expense	275	11,028	14,810
Deferred:			
Federal	(3,092)	(1,751)	(509)
State	(427)	(251)	6
Foreign	(559)	53	165
Deferred income tax expense	(4,078)	(1,949)	(334)
Income tax expense	<u><u>\$ (3,803)</u></u>	<u><u>\$ 9,079</u></u>	<u><u>\$ 14,472</u></u>

The following is a reconciliation of the federal statutory income tax rate to the effective tax rate as a percent of pre-tax income for the following years ended:

	September 30, 2024	September 30, 2023	September 30, 2022
Federal statutory rate	21.0%	21.0%	21.0%
State income taxes	3.9%	2.8%	2.1%
Foreign income taxes	(1.5 %)	(0.1 %)	0.4%
Permanent differences	0.0%	0.8%	4.6%
Research and development credits	0.8%	(1.0 %)	(0.5 %)
Excess tax benefits from stock-based compensation	(0.8 %)	(1.7 %)	(4.9 %)
Effective Tax rate	23.4%	21.8%	22.7%

As of September 30, 2024, the current U.S. income tax payable was approximately \$ 30,000 and the foreign income tax receivable was approximately \$ 5,000 , these amounts are included in the other current assets and other current liabilities in the Company's consolidated balance sheet. Current income tax payable amounts are included in accrued expenses in the Company's consolidated balance sheets.

As of September 30, 2024, and 2023, the Company had no U.S. federal or Estonian net operating loss ("NOL") carryforwards. As of September 30, 2024, there is a state NOL of \$ 64,000 . There was no state NOL as of September 30, 2023. As of September 30, 2024, and 2023, there is a Finnish NOL of \$ 1,851,000 and \$ 1,000 , respectively. The Company has not recorded a valuation allowance on these deferred tax assets as the Company believes it is more likely than not they will be utilized. In addition, as of September 30, 2024, and 2023, the Company had Minnesota research and development tax credits of \$ 370,000 and \$ 255,000 , respectively. The Company has not recorded a valuation allowance on these research and development related deferred tax assets as the Company believes it is more likely than not they will be utilized before they begin to expire in fiscal year 2038.

Significant components of deferred income tax assets and liabilities are as follows at:

(In thousands)	September 30, 2024	September 30, 2023
Inventories	\$ 4,241	\$ 2,154
R&D expenses	1,328	832
Stock-based compensation	1,042	600
Accrued expenses and reserves	427	515
Property and equipment depreciation	4	(683)
Net operating loss carry forwards and credits	726	201
Foreign currency translation loss	-	-
Total deferred tax asset	<u>\$ 7,768</u>	<u>\$ 3,619</u>
Goodwill	(1,146)	(1,123)
Unrealized loss on investments	(16)	204
Prepaid expenses	(141)	(193)
Intangibles	(254)	(153)
Foreign currency translation gain	(238)	(36)
Total deferred tax liability	<u>\$ (1,795)</u>	<u>\$ (1,301)</u>
Net deferred tax asset	<u>\$ 5,973</u>	<u>\$ 2,318</u>

Realization of NOL carryforwards and other deferred tax temporary differences are contingent upon future taxable earnings. The deferred tax assets and deferred tax liabilities are not netted due to being within different tax jurisdictions. The Company's deferred tax assets were reviewed for expected utilization by assessing the available positive and negative factors surrounding their recoverability. As of September 30, 2024, and 2023, no valuation allowance was deemed necessary as the Company determined it was more likely than not that the Company's deferred tax assets will be realized.

The Company is required to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applies the interpretation to all tax positions for which the statute of limitations remained open. The Company had no liability for unrecognized tax benefits and did not recognize any interest or penalties during the years ended September 30, 2024, or 2023.

The Company is subject to income taxes in the U.S. federal and various state and foreign jurisdictions, including Finland. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Clearfield, Inc. is generally subject to U.S. federal examination for all tax years after 2019 and state examinations for all tax years after 2015 due to unexpired research and development credit carryforwards still open under statute. Nestor is generally subject to Finland examination for all tax years after 2020.

Note 7. Concentrations

Suppliers: The Company purchases critical components for our products, including injection molded parts and connectors from third parties, some of whom are single- or limited-source suppliers. If any of our suppliers are unable to ship critical components, we may be unable to manufacture and ship products to our distributors or customers. If the price of these components increases for any reason, or if these suppliers are unable or unwilling to deliver, we may have to find another source, which could result in interruptions, increased costs, delays, loss of sales and quality control problems.

Customers: For the fiscal year ended September 30, 2024, the Company had two customers that comprised 15 % and 11 % of net sales. These customers are distributors. For the fiscal year ended September 30, 2023, the Company had one customer that comprised 16 % of net sales. This customer is a distributor. For the fiscal year ended September 30, 2022, the Company had one customer that comprised 14 % of net sales. This customer is a distributor. These major customers, like our other customers, purchase our products from time to time through purchase orders, and we do not have any agreements that obligate these major customers to purchase products in the future from us.

As of September 30, 2024, three customers accounted for 16 %, 11 %, and 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 all distributors.

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, and in Central and South America.

The following table presents our domestic and international sales for each of the last three fiscal years:

	Year Ended September 30,		
	2024	2023	2022
United States	\$ 122,483	\$ 218,835	\$ 255,607
All Other Countries	44,222	49,885	15,276
Total Net Sales	\$ 166,705	\$ 268,720	\$ 270,883

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

The percentages of our sales by these markets were as follows for each of the last three fiscal years:

	Year Ended September 30,		
	2024	2023	2022
Broadband service providers	94%	97%	99%
Other customers	6%	3%	1%
Total Net Sales	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 3 customers, National Carriers, which includes large national and global wireline and wireless providers also referred to as Tier 1s, Large Regional Service providers with a national footprint, MSOs, which include cable television companies, and international customers.

Long-lived assets: As of September 30, 2024, and 2023, the Company had property, plant, and equipment with a net book value of \$ 5,395,000 and \$ 7,003,000 , respectively, located in Mexico. In addition, as of September 30, 2024, and 2023, the Company had property, plant, and equipment with a net book value of \$ 7,093,000 , and \$ 6,703,000 , respectively, located in Finland and \$ 989,000 , and \$660,000, respectively, located in Estonia. All other property, plant, and equipment is located within the United States.

Note 8. Employee Benefit Plan

Clearfield, Inc. maintains a contributory 401(k) profit sharing benefit plan, whereby eligible employees may contribute a portion of their earnings, not to exceed annual amounts allowed under the Internal Revenue Code. The Company matched 100 % of the first 3 % and 50 % of the next 3 % of the participant's eligible compensation that was contributed by the participant. The Company's contributions under this plan were \$ 1,087,000 , \$ 1,017,000 , and \$ 1,129,000 for the years ended September 30, 2024, 2023 and 2022, respectively.

Nestor Cables is mandated by the Finnish government to participate in a pension and social expense plan to which Nestor and its employees make contributions. The plan is accounted for as defined contribution plan and Nestor Cables is responsible for an average of 17.6 %, 18.3 %, and 17.4 % of employees' wages for plan years ended September 30, 2024, and 2023, and 2022, respectively. Nestor's contributions under this plan were \$ 1,328,000 , \$ 1,112,000 , and \$ 204,000 for the years ended September 30, 2024, and 2023, and 2022, respectively.

Note 9. Leases

The Company leases an 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 ten 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 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 105,000 square foot warehouse and manufacturing facility in Brooklyn Park, Minnesota. The lease term 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 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 leases an approximately 49,000 square foot manufacturing facility in Tabasalu, Estonia, which is utilized for the operations of Nestor Cables Baltics. The lease is without a fixed term and requires two years' written notice to terminate the lease. Additionally, the lease grants to 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 10 years commencing December 2024.

The lease called for monthly rental payments of approximately € 20,400 until April 2024 and calls for monthly rental payments of € 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 we are reasonably certain to exercise. Our leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense included within cost of sales and selling, general and administrative expense was as follows:

(In thousands)	Year ended September 30, 2024	Year ended September 30, 2023	Year ended September 30, 2022
Operating lease expense under ASC842, Leases, within:			
Cost of sales	\$ 4,231	\$ 4,067	\$ 2,534
Selling, general and administrative	323	244	277
Total lease expense	\$ 4,554	\$ 4,311	\$ 2,801

Our future lease obligations for leases that have commenced were as follows as of September 30, 2024:

(In thousands)	Operating Leases
FY 2025	\$ 4,321
FY 2026	4,382
FY 2027	3,451
FY 2028	2,867
FY 2029	1,566
Thereafter	2,576
Total lease payments	19,163
Less: Interest	(3,035)
Present value of lease liabilities	\$ 16,128

As of September 30, 2024, the weighted average term and weighted average discount rate for our leases were 5.20 years and 6.59 %, respectively. As of September 30, 2023, the weighted average term and weighted average discount rate for our leases were 5.16 years and 3.59 %, respectively. As of September 30, 2022, the weighted average term and weighted average discount rate for our leases were 4.04 years and 3.22 %, respectively. For the years ended September 30, 2024, 2023, and 2022, the operating cash outflows from our leases were \$ 4,222,000 , \$ 3,954,000 , and \$ 2,064,000 , respectively.

Note 10. Debt

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 September 30, 2024, the interest rate was 7.05 %. 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.

On August 5, 2024, the Company entered into an amendment to the loan agreement that, among other things, (i) 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; (ii) added a requirement that the Company maintain accounts with the 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 bank; and (iii) waived the Company's compliance with the debt to cash flow ratio for the fiscal quarter ended June 30, 2024.

As of September 30, 2024, and 2023, the Company had no borrowings against this line of credit. As of September 30, 2022, the Company had borrowed \$ 16,700,000 against the line of credit. As of September 30, 2024, 2023 and 2022, the Company was in compliance with all applicable covenants. The line of credit is collateralized by Clearfield, Inc's assets of \$ 300,472,000 as of 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. As of September 30, 2024, 2023 and 2022, the Company owed € 2,000,000 on this loan, which equates to \$ 2,228,000 , \$ 2,112,000 and \$ 1,966,000 , respectively. As of September 30, 2024, Nestor Cables was not in compliance with the equity ratio covenant but received a waiver from the bank. As of September 30, 2023, and 2022, Nestor Cables was in compliance with all covenants. The interest expense associated with this loan has been presented net of government payments on the Company's income statement.

Note 11. Acquisition of Nestor Cables

On July 26, 2022, the Company, through its wholly owned subsidiary, Clearfield Finland Oy, acquired 100 % of the share capital of Nestor Cables Oy, a leading developer and manufacturer of fiber optic cable solutions located in Finland, upon the terms and conditions contained in a Share Sale and Purchase Agreement entered into on May 17, 2022. The total purchase price and the acquisition date fair value of the consideration transferred for the shares totaled €7.9 million (\$ 8.0 million) in addition to €7.6 million (\$ 7.8 million) related to the repayment of certain of Nestor Cables' debt. The purchase price was funded from a draw of \$ 16.7 million under the Company's revolving line of credit. The purchase of Nestor Cables was intended to provide the Company with the ability to vertically integrate the supply of fiber optic cables and fulfill customer demand more rapidly. Nestor Cables' technical expertise is expected to extend the supply of the Company's FieldShield product line into the North American market, to reduce cost and complexity of transportation. Finally, Nestor Cables enhances the possibility of introducing Clearfield's cassette-based fiber management solutions into the European market.

The following table summarizes the estimated fair value of the assets and liabilities acquired as of July 26, 2022:

<i>(in thousands)</i>	
Cash	\$ 72
Accounts receivables	10,562
Inventories	11,377
Other current assets	173
Total current assets	22,184
Property and equipment	7,689
Intangibles assets	1,840
Right of use lease asset	1,297
Goodwill	1,762
Other	55
Total assets	\$ 34,827
Accounts payable	5,839
Accrued compensation	1,430
Accrued expenses	1,916
Deferred tax liability	621
Lease liability	1,297
Factoring liability	5,849
Long term debt	2,045
Total liabilities	\$ 18,997
Net assets acquired	\$ 15,830

The Nestor Cables acquisition resulted in approximately \$ 1,700,000 of goodwill due to intangible assets not qualifying for separate recognition as well as expected synergies. The goodwill created from the acquisition of Nestor Cables is expected to be deductible for tax purposes.

Nestor Cables acquired accounts receivable balance is the gross amount which is expected to be collected, which approximates fair value. As of the acquisition date no allowance for uncollectible amounts is deemed necessary.

The intangible assets acquired include customer relationships, developed technology and trademarks. The remaining weighted average useful life of intangible assets acquired is 12.82 years as of the acquisition date. Refer to Note 1 for further detail.

The Company incurred approximately \$ 1,600,000 in legal, professional, and other costs related to the acquisition which were accounted for as selling, general and administrative expenses when incurred. Refer to Note 12-Segment Reporting for the operating results of Nestor Cables from the date of acquisition through September 30, 2022.

The Company has a fiscal year end of September 30 and reports its financial results in accordance with U.S. GAAP. Nestor Cables has historically had a fiscal year end of December 31 and reported its results under Finnish Accounting Standards. Accordingly, it is impracticable to disclose the revenue and earnings of the combined entity as though the business combination occurred as of the beginning of the comparable prior year periods due to the differing basis of accounting and reporting periods of the entities requiring assumptions about management's intent that cannot be independently substantiated. In addition, these disclosures would require significant estimates that are not possible to reliably establish in order to distinguish objective information that provides evidence of circumstances that existed on the dates at which those amounts would have been recognized, measured and disclosed and would have been available when the financial statements for that prior period were issued.

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.

Upon closing of the acquisition of Nestor Cables, the Company reassessed its operating segments as defined under ASC 280, *Segment Reporting*. Under ASC 280, operating segments are defined as components of an enterprise where discrete financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM"), in deciding how to allocate resources and in assessing performance. Based upon the Company's assessment, the Company determined that the business of Nestor Cables was considered a second reportable segment as of July 26, 2022.

For the year ended September 30, 2024, 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 Estonia subsidiary, Nestor Cables Baltics, on July 26, 2022. These entities comprise the Nestor Cables segment. Refer to Note 11 - Acquisition of Nestor Cables for additional information on this transaction.

Financial results for the reportable segments are prepared on a basis consistent with the internal disaggregation of financial information to assist the CODM in making internal operating decisions. For consolidated reporting, the Company eliminates transactions between reportable segments.

The following table summarizes the amounts between the two reportable segments for the year ended September 30, 2024:

(in thousands)	Year ended September 30, 2024			
	Clearfield	Nestor Cables	Eliminations	Consolidated
Revenue from external customers	\$ 125,568	\$ 41,137	\$ -	\$ 166,705
Revenue from internal customers (Clearfield)	58	2,271	(2,329)	-
Net investment income	7,711	-	(239)	7,472
Interest expense	-	741	(235)	506
Depreciation and amortization	5,933	1,478	-	7,411
Stock based compensation	4,374	267	-	4,641
Income tax benefit	(3,248)	(555)	-	(3,803)
Net loss	(9,198)	(3,424)	169	(12,453)
Capital expenditures	7,940	1,627	-	9,567

The following table summarizes the amounts between the two reportable segments for the year ended September 30, 2023:

(in thousands)	Year ended September 30, 2023			
	Clearfield	Nestor Cables	Eliminations	Consolidated
Revenue from external customers	\$ 225,722	\$ 42,998	\$ -	\$ 268,720
Revenue from internal customers (Clearfield)	-	5,408	(5,408)	-
Net investment income	5,315	7	(116)	5,206
Interest expense	170	827	(116)	881
Depreciation and amortization	4,598	1,456	-	6,054
Stock based compensation	3,528	50	-	3,578
Income taxes	8,883	196	-	9,079
Net income	32,834	719	(1,020)	32,533
Capital expenditures	6,759	925	-	7,684

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

(in thousands)	Year ended September 30, 2024			
	Clearfield	Nestor Cables	Eliminations	Consolidated
Goodwill	\$ 4,709	\$ 1,918	\$ -	\$ 6,627
Total assets	\$ 300,472	\$ 38,773	\$ (23,970)	\$ 315,275
Year ended September 30, 2023				
(in thousands)	Year ended September 30, 2023			
	Clearfield	Nestor Cables	Eliminations	Consolidated
Goodwill	\$ 4,709	\$ 1,819	\$ -	\$ 6,528
Total assets	\$ 335,412	\$ 43,550	\$ (23,445)	\$ 355,517

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 \$ 2,920,000, \$ 6,289,000 and \$ 4,391,000 as of September 30, 2024, 2023 and 2022, respectively. 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 (\$ 13.9 million). 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 .75% to 1.3 %. The average interest rate for the year ended September 30, 2024, 2023 and 2022, was 5.12 %, 3.89 % and 2.14 %, respectively. These agreements are indefinite with a termination notice period ranging from zero to one month.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES**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 September 30, 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2024 based on the framework in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that, as of September 30, 2024, our internal control over financial reporting was effective based on the COSO internal control criteria. The effectiveness of our internal control over financial reporting as of September 30, 2024 has been audited by Baker Tilly US, LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of fiscal year 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the quarter ended September 30, 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).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information required by Item 10 to be included under the headings "Executive Officers," "Corporate Governance" and "Proposal 1. Election of Directors" in our Proxy Statement for our 2025 Annual Meeting of Shareholders (the "2025 Proxy Statement"), which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year for which this report is filed, is incorporated herein by reference into this section.

The Company has an insider trading policy governing the purchase, sale, and/or other dispositions of our securities by our directors, executive officers and employees that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and the exchange listing standards applicable to us. A copy of our insider trading policy, as amended, is filed as Exhibit 19 to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 to be included under the heading "Executive Compensation" in the 2025 Proxy Statement, is incorporated herein by reference into this section.

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

The information required by Item 12 under the headings "Ownership of Voting Securities by Principal Holders and Management" and "Equity Compensation Plan Information" to be included in the 2025 Proxy Statement, is incorporated herein by reference into this section.

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

The information required by Item 13 under the heading "Certain Relationships and Related Person Transactions" to be included in the 2025 Proxy Statement, is incorporated herein by reference into this section.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 under the heading "Relationship with Independent Accountants" to be included in the 2025 Proxy Statement, is incorporated herein by reference into this section.

PART IV.**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report.
(1) Financial Statements.

The financial statements of Clearfield, Inc. are filed herewith under Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(2) Certain financial statement schedules have been omitted because they are not required, not applicable or the required information is provided in other financial statements or the note to the financial statements.

(3) Exhibits: See Items 15(b) below.

(b) Exhibits.

EXHIBIT INDEX

Number	Description	Incorporated by Reference to
3.1	<u>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</u>	Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000
3.1 (a)	<u>Articles of Amendment to Articles of Incorporation dated August 25, 2004</u>	Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004
3.2	<u>Amended and Restated Bylaws of Clearfield, Inc.</u>	Exhibit 3.1 to Registrant's Current Report on Form 8-K dated February 26, 2016
4.1	<u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>	Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended September 30, 2019
*10.1	<u>Form of Agreement regarding Indemnification of Directors and Officers with certain current and former directors</u>	Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the year ended September 30, 2017
*10.2	<u>2007 Stock Compensation Plan, as amended through December 23, 2016</u>	Appendix A to the Registrant's Proxy Statement filed with the SEC on January 10, 2017 for the 2017 Annual Meeting of Shareholders held on February 23, 2017
*10.3	<u>Employment Agreement dated December 16, 2008 by and between Clearfield, Inc. and Cheryl P. Beranek</u>	Exhibit 10.26 to Registrant's Current Report on Form 8-K dated December 22, 2008
*10.4	<u>Employment Agreement dated December 16, 2008 by and between Clearfield, Inc. and John P. Hill</u>	Exhibit 10.27 to Registrant's Current Report on Form 8-K dated December 22, 2008
*10.5	<u>Clearfield, Inc. Code 280G Tax Gross Up Payment Plan Adopted November 18, 2010</u>	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated November 22, 2010
10.6	<u>Clearfield, Inc. 2010 Employee Stock Purchase Plan, as amended</u>	Appendix A to the Registrant's Proxy Statement filed with the SEC on January 14, 2020 for the 2020 Annual Meeting of Shareholders held on February 27, 2020
10.7	<u>Standard Form Industrial Building Lease dated September 9, 2014 by and between Clearfield, Inc. and First Industrial, L.P.</u>	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated September 10, 2014
10.8	<u>First Amendment to Lease Agreement dated May 9, 2019 by and between First Industrial, L.P. and Clearfield, Inc.</u>	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated May 15, 2019
*10.9	<u>Employment Agreement dated November 16, 2017 by and between Clearfield, Inc. and Daniel Herzog</u>	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated November 22, 2017

Number	Description	Incorporated by Reference to
*10.10	Amendment No. 1 to Employment Agreement dated December 3, 2019 by and between Daniel Herzog and Clearfield, Inc.	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated December 6, 2019
10.11	Loan Agreement dated April 27, 2022 by and between Clearfield, Inc. and Bremer Bank, National Association †	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 28, 2022
10.12	Security Agreement dated April 27, 2022 by Clearfield, Inc. in favor of Bremer Bank, National Association †	Exhibit 10.2 to Registrant's Current Report on Form 8-K dated April 28, 2022
10.13	Amendment No. 1 to Loan Agreement dated August 5, 2024 by and between Clearfield, Inc. and Bremer Bank, National Association	Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024
10.14	Clearfield, Inc. 2022 Stock Compensation Plan, as amended through January 23, 2023	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated January 25, 2023
10.15	Form of Stock Option Agreement under the Clearfield, Inc. 2022 Stock Compensation Plan	Exhibit 10.2 to Registrant's Current Report on Form 8-K dated February 24, 2023
10.16	Form of Restricted Stock Award Agreement under the Clearfield, Inc. 2022 Stock Compensation Plan.	Exhibit 10.3 to Registrant's Current Report on Form 8-K dated February 24, 2023
10.17	Form of Performance Stock Unit Agreement under the Clearfield, Inc. 2022 Stock Compensation Plan.	Exhibit 10.16 to Registrant's Annual Report on Form 10-K for the year ended September 30, 2023
10.18	Lease Agreement dated April 4, 2024, by and among Prisma Shelter, S. de R.L. de C.V., Clearfield, Inc., and Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero Actinver, solely in its capacity as Trustee of Trust No. 3218	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 9, 2024
10.19	Clearfield, Inc. Incentive Bonus Plan	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated September 4, 2024
19	Clearfield, Inc. Policy Regarding Buying and Selling Securities – Insider Trading and Tipping, as amended through August 29, 2024	**
21.1	Subsidiaries of Clearfield, Inc.	**
23.1	Consent of Baker Tilly US, LLP	**
31.1	Certification of Chief Executive Officer (principal executive officer) Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act	**
31.2	Certification of Chief Financial Officer (principal financial officer) Pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act	**
32	Certification of Chief Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. § 1350	**

Number	Description	Incorporated by Reference to
97.1	Clearfield, Inc. Compensation Recoupment Policy, as amended September 28, 2023	Exhibit 10.1 to Registrant's Current Report on Form 8-K dated October 4, 2023
101.INS	Inline XBRL Instance Document	**
101.SCH	Inline XBRL Taxonomy Extension Schema	**
101.CAL	Inline XBRL Taxonomy Calculation Linkbase	**
101.LAB	Inline XBRL Taxonomy Labels Linkbase	**
101.PRE	Inline XBRL Taxonomy Presentation Linkbase	**
101.DEF	Inline XBRL Taxonomy Definition Linkbase	**

† Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K.

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

(c) Financial Statement Schedules.

All schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

Clearfield, Inc.

Date: November 15, 2024

/s/ Cheryl Beranek

Cheryl Beranek

President and Chief Executive Officer

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

Each person whose signature appears below hereby constitutes and appoints Cheryl Beranek and Daniel Herzog and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution, to sign on his or her behalf, individually and in each capacity stated below, all amendments to this Form 10-K and to file the same, with all exhibits thereto and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as each might or could do in person, hereby ratifying and confirming each act that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue thereof.

Signatures	Title	Date
<u>/s/ Cheryl Beranek</u> Cheryl Beranek	President, Chief Executive Officer (principal executive officer) and Director	November 15, 2024
<u>/s/ Daniel Herzog</u> Daniel Herzog	Chief Financial Officer (principal financial and accounting officer)	November 15, 2024
<u>/s/ Ronald G. Roth</u> Ronald G. Roth	Director	November 15, 2024
<u>/s/ Roger G. Harding</u> Roger G. Harding	Director	November 15, 2024
<u>/s/ Donald R. Hayward</u> Donald R. Hayward	Director	November 15, 2024
<u>/s/ Charles N. Hayssen</u> Charles N. Hayssen	Director	November 15, 2024
<u>/s/ Patrick F. Goepel</u> Patrick F. Goepel	Director	November 15, 2024
<u>/s/ Walter L. Jones, Jr.</u> Walter L. Jones, Jr.	Director	November 15, 2024
<u>/s/ Carol A. Wirsbinski</u> Carol Wirsbinski	Director	November 15, 2024



Clearfield, Inc.

Policy Regarding Buying and Selling Securities – Insider Trading and Tipping

As Amended Through August 29, 2024

This Policy Regarding Buying and Selling Securities - Insider Trading and Tipping is designed to prevent insider trading or allegations of insider trading, and to protect Clearfield's reputation for integrity and ethical conduct.

In addition, to help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of insider trading, Clearfield's directors, executive officers, and other employees identified from time to time by Clearfield, are subject to additional requirements relating to trading in Clearfield's securities that are identified in this policy.

Scope of this Policy

If you are a director, executive officer, employee or consultant of Clearfield or its subsidiaries, this policy applies to you. The same restrictions that apply to you also apply to your family members who reside with you, anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Clearfield securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in Clearfield securities). The same restrictions that apply to you also apply to any entities that you influence or control, including any corporation, limited liability company, partnership or trust. You are responsible for making sure that these people and entities comply with this policy in any trades they make in any securities covered by this policy.

It is important that you understand the terminology of this policy. Please see the "Definitions" section for the definitions of terms like "trade," "material" and "non-public." In this policy, the term "Clearfield" includes Clearfield, Inc. and its subsidiaries.

Our Policies

- A. You may not trade in Clearfield securities if you are aware of material non-public information about Clearfield.
- B. This prohibition on insider trading is not limited to trading in Clearfield securities. Similarly, you may NOT trade in securities of any other company (such as customers or suppliers of Clearfield or a company negotiating with Clearfield about a major transaction) if you are aware of material non-public information about that company. Keep in mind that information that is not material to Clearfield may nevertheless be material to another company.
- C. You may not disclose any material non-public information about Clearfield or any other company to others who may use it to trade or who may pass it along to others who might trade.
- D. You may not advise anyone about the purchase or sale of securities of Clearfield or any other company based on material non-public information you learn through Clearfield or have heard from others.



- E. Clearfield's directors, executive officers and other employees identified from time to time (collectively called "insiders") are subject to the additional requirements identified under "Additional Policies Applicable to Insiders." Clearfield will notify you if you are considered an "insider" for the purpose of this policy. Clearfield has appointed the General Counsel as the "Compliance Officer" under this policy. The Compliance Officer will identify those employees who are insiders and administer other aspects of this policy.
- F. If you receive an inquiry for information from outside Clearfield, such as from a stock broker or analyst, you should not provide any information, but instead should refer the inquiry to the Chief Executive Officer, Chief Financial Officer or the Compliance Officer.
- G. Our policies on short sales, transactions in put and call options on Clearfield securities, and standing orders are as follows:
 - a. Short sales of Clearfield securities (a sale of securities which are not then owned), including a "sale against the box" (a sale with delayed delivery) are prohibited.
 - b. Trading in "puts" and "calls" (publicly traded options to sell or buy stock) are often perceived as involving insider trading. Therefore, Clearfield prohibits such trading with respect to Clearfield securities.
 - c. Standing orders (except standing orders under approved Rule 10b5-1 plans, see below) should be used only for a very brief period of time. The problem with purchases or sales resulting from standing instructions to a broker is that there is no control over the timing of the transaction. The broker could execute a transaction when you are aware of material non-public information.

Additional Policies Applicable to Insiders

In addition to the policies above, insiders – that is, directors, executive officers and other employees designated from time to time by the Compliance Officer – are subject to three additional policies: (1) all transactions must be pre-cleared; (2) trades are restricted to open window periods only; and (3) certain margin, hedge and pledge transactions are prohibited. Some insiders are also subject to Securities and Exchange Commission reporting requirements.

As noted above, these additional policies also apply to transactions in Clearfield securities by an insider's family members and entities that the insider influences or controls.



Trading Only During Open Window Periods

Insiders may trade in Clearfield securities only during an "open window period." This restriction is *in addition to* the prohibition on trading while aware of material non-public information.

The regular, quarterly open window periods are the four periods of time beginning two full business days following Clearfield's release of its financial results for the fiscal quarter or the fiscal year and ending at the close of trading on the 15th day of the last month of a fiscal quarter. If, for example, Clearfield issued an earnings release after market close on Thursday, the first day of the open window period would be the following Tuesday. In this context, business day means a day that the primary stock market where Clearfield's stock is listed is open for trading. If you have questions on the open window period, please contact the Compliance Officer.

From time to time, the Compliance Officer may notify certain insiders that no trading will be permitted until further notice, either with or without disclosing the reason for the restriction. The Compliance Officer may also limit any quarterly open window period. The existence of an event-specific trading restriction period or shortening of an open window period may not be announced to Clearfield as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

To avoid the appearance of improper trading, employees that are not insiders are also encouraged to refrain from trading Clearfield securities except during an open window period.

Margin, Hedge and Pledge Transactions Prohibited

Insiders may not purchase Clearfield securities on margin, borrow against any account in which Clearfield securities are held, or pledge Clearfield securities as collateral for a loan.

Insiders also may not enter into hedging or monetization transactions, such as zero-cost collars, forward sale contracts, or any arrangement that is designed to hedge or offset any decrease in the market value of our common stock.

Pre-Clearance of Transactions

Insiders are required to obtain approval in writing for all transactions in Clearfield securities from the Compliance Officer prior to undertaking the transaction. Transactions that must be pre-cleared include those that are permitted only during an open window period, as well as gifts and any stock option exercise. A request for pre-clearance should be submitted in writing to the Compliance Officer no less than two business days prior nor more than four business days prior to the proposed transaction. The Compliance Officer should submit his or her request for pre-clearance to the Chief Financial Officer. Any such request and approval should be documented in some way including through email correspondence.



If, upon requesting pre-clearance, an insider is advised that the insider may make a transaction in Clearfield securities, the insider may execute the transaction within five business days thereafter. If, for any reason, the transaction is not completed within the five business days, pre-clearance must be obtained again before the stock may be traded.

The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she must refrain from initiating any transaction in Clearfield securities, and should not inform any other person of the restriction.

Following completion of any transaction in Clearfield securities that has been pre-cleared, you must notify the Compliance Officer of the completion of the transaction.

Section 16 Reports

All Clearfield directors and executive officers subject to Section 16 of the Securities Exchange Act of 1934 are obligated to file Section 16 reports (i.e., a Form 4) when they engage in transactions in Clearfield securities. Although Clearfield will assist reporting persons in preparing and filing the required reports, the reporting persons are ultimately responsible for the reports.

In order to ensure timely Section 16 reports, it is critical that you report the transaction information to the Compliance Officer on the same day the transaction is executed (not on the later settlement date). Prompt reporting is necessary for all transactions, including transactions made under a Rule 10b5-1 plan, option exercises and gifts. Even if a transaction does not constitute a "trade," it must be communicated to the Compliance Officer so that Clearfield can assist you with your Section 16 reports.

Form 144 Reports

Clearfield directors and executive officers are required to file Form 144 before making an open market sale of Clearfield securities. Form 144 notifies the Securities and Exchange Commission of your intent to sell Clearfield securities. This form is generally prepared and filed by your broker and is in addition to the Section 16 reports filed on your behalf by Clearfield.

Pre-Arranged Trading Plans (Rule 10b5-1 Plans)

If an insider's trades are executed pursuant to an approved Rule 10b5-1 plan, the insider is not subject to the pre-clearance procedure and is not restricted to trading only during an open window period.

Rule 10b5-1 provides an affirmative defense from insider trading liability under the federal securities laws for trading plans that meet certain requirements. A Rule 10b5-1 plan must either specify (including by formula) the amount, pricing and timing of transactions in advance or delegate discretion on those matters to an independent third party. Once the plan is adopted, the insider must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded, or the date of the trade.



All Rule 10b5-1 plans must be pre-cleared in writing in advance by the Compliance Officer. Rule 10b5-1 plans may be adopted only during an open window period and in any event may be adopted only when the insider is not aware of any material non-public information. All Rule 10b5-1 plans must meet the other requirements of Rule 10b5-1 such as required certifications by the insider, cooling off periods, prohibition on overlapping plans, and transaction limitations. The Compliance Officer may condition approval of Rule 10b5-1 plan on public disclosure of the plan or specific plan features. Any proposed modification to a Rule 10b5-1 plan may be made only during an open window period, when the insider is not aware of any material non-public information, and with prior written approval of the Compliance Officer. Nothing in this policy prohibits an insider from terminating a Rule 10b5-1 plan in accordance with applicable laws and regulations during an open window period and when the insider is not aware of any material non-public information.

Each director, executive officer and other Section 16 insider should understand that the approval or adoption of a Rule 10b5-1 plan in no way reduces or eliminates such person's obligations under Section 16 of the Exchange Act, including such person's disclosure and short-swing trading liabilities thereunder.

Seeking Additional Guidance

If you have any questions concerning any aspect of this policy or the application of this policy to you, you should contact the Compliance Officer before you initiate any trade.

Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences.

Penalties for Violations

Under federal securities laws, individuals who engage in insider trading or tipping can be liable for substantial criminal and civil penalties, including imprisonment for up to 20 years, criminal fines of up to \$5 million, and civil penalties of up to three times the profits gained or losses avoided.

You are not excused from compliance with this policy and will not avoid civil and criminal penalties even if you believe you have mitigating circumstances or if you have a personal financial emergency.

Clearfield could also be liable for civil fines of up to the greater of (i) three times the profit gained or loss avoided and (ii) \$1.275 million, and criminal fines of up to \$25 million, as a consequence of an employee's insider trading or tipping, and individual controlling persons (directors, executive officers and supervisory personnel) could also be liable for the civil penalties as a result of such transactions.

In addition to these serious criminal and civil penalties, violation of this policy may result in disciplinary action by Clearfield, including termination of employment for cause or discipline by the Board of Directors.

These criminal and civil penalties apply even if the violator did not use the non-public information to make a trade and even if the violator was merely a "tipper" who passed the information or advice on to others who traded. Also remember that anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. Before engaging in any transaction, you should carefully consider how enforcement authorities and others might view your transaction.



Definitions

Securities include common stock, derivative securities such as stock options (including put and call options), convertible debentures, warrants and preferred stock, as well as debt securities such as bonds and notes.

Trading includes buying and selling securities, as well as certain exercises of stock options or granting to others options on stock you hold. The term "trading" does not include exercising a stock option using cash only, delivering Clearfield stock you already own to Clearfield to pay the option price, or electing to have Clearfield withhold shares subject to an option to pay the price of the option. The term "trading" also does not include making a bona fide gift. A transfer of stock is not a gift if it is made to satisfy a legal obligation or if the transferee receives some value in return for the gift.

The term "trading" also does not include purchases of Clearfield securities in our Employee Stock Purchase Plan (ESPP) resulting from your periodic contribution of money to the ESPP pursuant to the election you made at the time of your enrollment in the ESPP or purchases of Clearfield securities resulting from lump sum contributions to the ESPP, provided that you elected to participate by lump sum payment at the beginning of the applicable enrollment period. However, the term "trading" does include any subsequent sale of Clearfield securities acquired through the ESPP.

The term "trading" does not include the exercise of a tax withholding right pursuant to which you elect to have Clearfield withhold shares subject to an option or withhold shares upon vesting of any restricted stock to satisfy tax withholding requirements.

Here are some examples of trades that are prohibited while you are aware of material non-public information or outside of an open window period:

- Open market purchase or sale of Clearfield securities.
- Purchase or sale of Clearfield securities through a broker.
- Exercise of stock options where all or a portion of the acquired stock is sold, including sale of stock as part of a broker assisted cashless exercise.
- Your election to participate in the ESPP for any enrollment period, and your sales of Clearfield securities purchased pursuant to the ESPP.

Material information is any information that a reasonable investor would consider important in a decision to buy, sell or hold the securities, or that could reasonably be expected to affect the price of the securities. The information may be positive or negative.

Examples of information that ordinarily would be regarded as material are:

- Financial results or financial condition of Clearfield;



- Projections of future earnings or losses, or other guidance on any financial measure, such as revenue, any type of expense, or earnings/loss per share;
- Changes to previously announced earnings guidance, or the decision to initiate or suspend earnings guidance;
- A pending or proposed merger, acquisition, divestiture, tender offer or joint venture;
- A pending or proposed acquisition or disposition of a significant asset;
- A restructuring of Clearfield;
- Bank borrowings or other financing transactions out of the ordinary course;
- A change in dividend policy, the declaration of a stock split, or an offering of securities;
- The establishment of a repurchase program for Clearfield securities;
- Significant related party transactions;
- A change in management or the Board of Directors;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- The gain or loss of a significant customer or supplier or a significant interruption in supply;
- Development of a significant new product, process, or service;
- A significant change in the Clearfield's pricing or cost structure;
- Pending or threatened significant legal or regulatory proceeding, or the resolution of such proceeding;
- Impending bankruptcy or the existence of severe liquidity problems;
- The imposition of a ban on trading in Clearfield securities or the securities of another company; and
- Significant cybersecurity risks and incidents.

Non-public means the information has not yet become publicly available. Information generally would be considered publicly available if it has been disclosed through widely-distributed press release, a newswire service, a broadcast on widely-available radio or television program, publication in a widely-available newspaper, magazine or news website, or through a document filed with the SEC that is available on the SEC's website. By contrast, information would likely not be considered publicly available if it is available only to Clearfield's employees, or if it is only available to a select group of analysts, brokers or institutional investors.



Public disclosure of the information (for example through a press release or filing with the SEC) does not mean you are free to immediately trade. You should refrain from trading until the market has had an opportunity to absorb and evaluate the information. In general, information should not be considered absorbed by the market until two full business days after the information is released. If, for example, Clearfield issued a press release before market on Monday, you could not trade in Clearfield's securities until Wednesday. If a press release were issued before market on Friday, Tuesday generally would be the first eligible trading day. If Clearfield issued a press release after market on Monday, you could not trade in Clearfield's securities until Thursday. Depending on the particular circumstances, the Compliance Officer may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

SUBSIDIARIES OF CLEARFIELD, INC.

As of September 30, 2024

Entity Name	State or Other Jurisdiction of Incorporation
Clearfield Finland Oy (1)	Finland
Nestor Cables Oy (2)	Finland
Nestor Cables Baltics OÜ (3)	Estonia

(1) 100% owned subsidiary of Clearfield, Inc.

(2) 100% owned subsidiary of Clearfield Finland Oy

(3) 100% owned subsidiary of Nestor Cables Oy

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-44500, File No. 333-136828, File No. 333-151504, File No. 333-166495, File No. 333-173793, File No. 333-217652, File No. 333-237947, and File No. 333-269963) and Form S-3 (File No. 333-264533) of Clearfield, Inc. and Subsidiaries of our report dated November 15, 2024, relating to the consolidated financial statements, which appears in this annual report on Form 10-K for the year ended September 30, 2024.

/s/ Baker Tilly, US, LLP

Minneapolis, Minnesota

November 15, 2024

CERTIFICATION

I, Cheryl Beranek, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 annual 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 annual 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 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 control over financial reporting.
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 controls 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 controls over financial reporting.

November 15, 2024

/s/ Cheryl Beranek
 Cheryl Beranek
 Chief Executive Officer
 (Principal executive officer)

CERTIFICATION

I, Daniel Herzog, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 annual 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 annual 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 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 control over financial reporting.
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 controls 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 controls over financial reporting.

November 15, 2024

/s/ Daniel Herzog
Daniel Herzog
Chief Financial Officer
(Principal financial and accounting officer)

CERTIFICATION

The undersigned certifies pursuant to 18 U.S.C. Section 1350 that:

1. The accompanying Annual Report on Form 10-K for Clearfield, Inc. (the "Company") for the period ended September 30, 2024, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2024

/s/ Cheryl Beranek
Cheryl Beranek
Chief Executive Officer

/s/ Daniel Herzog
Daniel Herzog
Chief Financial Officer