

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

Commission File Number 0-16106

Clearfield, Inc.

(Exact name of Registrant as specified in its charter)

Minnesota

41-1347235

(State or other jurisdiction of incorporation or organization)

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

7050 Winnetka Avenue North, Suite 100, Brooklyn Park, Minnesota 55428

(Address of principal executive offices and zip code)

(763) 476-6866

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

YES NO

Indicate by check mark whether the registrant is a "large accelerated filer," an "accelerated filer," a "non-accelerated filer" or a "smaller reporting company" (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

YES NO

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

Class:
Common stock, par value \$.01

Outstanding at July 27, 2015
13,720,377

CLEARFIELD, INC.
FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLEARFIELD, INC.

CONDENSED BALANCE SHEETS

	(Unaudited) June 30, 2015	(Audited) September 30, 2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,161,041	\$ 18,191,493
Short-term investments	7,945,000	6,632,000
Accounts receivables, net	7,386,712	5,027,856
Inventories	6,734,328	5,390,342
Deferred taxes	1,451,948	2,249,435
Other current assets	499,231	543,257
Total Current Assets	41,178,260	38,034,383
Property, plant and equipment, net	5,628,045	2,462,250
Other Assets		
Long-term investments	7,722,000	8,302,000
Goodwill	2,570,511	2,570,511
Deferred taxes –long term	-	156,622
Other	291,660	322,132
Total other assets	10,584,171	11,351,265
Total Assets	\$ 57,390,476	\$ 51,847,898
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 3,625,828	\$ 2,104,526
Accrued compensation	2,444,038	2,749,080
Accrued expenses	77,163	247,658
Total Current Liabilities	6,147,029	5,101,264
Other Liabilities		
Deferred taxes	728,055	-
Deferred rent	223,215	-
Total other liabilities	951,270	-
Total Liabilities	7,098,299	5,101,264
Commitment and Contingencies	-	-
Shareholders' Equity		
Preferred stock, \$.01 par value; authorized 500 shares; no shares outstanding	-	-
Common stock, authorized 50,000,000, \$.01 par value; 13,720,377 and 13,742,964, shares issued and outstanding at June 30, 2015 and September 30, 2014	137,204	137,430
Additional paid-in capital	56,271,824	56,036,989
Accumulated deficit	(6,116,851)	(9,427,785)
Total Shareholders' Equity	50,292,177	46,746,634
Total Liabilities and Shareholders' Equity	\$ 57,390,476	\$ 51,847,898

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONDENSED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 18,195,911	\$ 14,362,934	\$ 44,553,315	\$ 43,724,411
Cost of sales	10,399,171	8,319,481	26,260,624	25,022,750
Gross profit	7,796,740	6,043,453	18,292,691	18,701,661
Operating expenses				
Selling, general and administrative	4,845,764	4,185,157	13,261,065	11,855,187
Income from operations	2,950,976	1,858,296	5,031,626	6,846,474
Interest income	24,924	25,544	75,308	69,997
Income before income taxes	2,975,900	1,883,840	5,106,934	6,916,471
Income tax expense	1,023,000	709,000	1,796,000	2,533,000
Net income	\$ 1,952,900	\$ 1,174,840	\$ 3,310,934	\$ 4,383,471
Net income per share:				
Basic	\$0.15	\$0.09	\$0.25	\$0.34
Diluted	\$0.14	\$0.08	\$0.24	\$0.32
Weighted average shares outstanding:				
Basic	13,200,121	13,045,913	13,204,625	12,827,199
Diluted	13,614,949	13,547,948	13,581,098	13,569,394

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONDENSED STATEMENTS OF CASH FLOWS
UNAUDITED

	Nine Months Ended June 30,	
	2015	2014
Cash flows from operating activities		
Net income	\$ 3,310,934	\$ 4,383,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	870,692	492,162
Deferred taxes	1,682,164	2,343,885
Loss on disposal of assets	13,637	4,748
Stock-based compensation	844,992	565,505
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,358,856)	3,066,146
Inventories	(1,343,986)	328,194
Prepaid expenses and other	52,496	(217,832)
Accounts payable and accrued expenses	1,268,980	772,818
Net cash provided by operating activities	4,341,053	11,739,097
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(4,028,122)	(1,060,851)
Purchases of investments	(7,517,000)	(8,899,000)
Proceeds from maturities of investments	6,784,000	5,991,000
Net cash used in investing activities	(4,761,122)	(3,968,851)
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	211,459	185,584
Proceeds from issuance of common stock upon exercise of stock options	41,688	618,848
Tax withholding related to exercise of stock options	(14,373)	(142,112)
Repurchase of common stock	(849,157)	-
Net cash (used in) provided by financing activities	(610,383)	662,320
(Decrease) increase in cash and cash equivalents	(1,030,452)	8,432,566
Cash and cash equivalents, beginning of period	18,191,493	9,807,957
Cash and cash equivalents, end of period	\$ 17,161,041	\$ 18,240,523
Supplemental disclosures for cash flow information		
Cash paid during the year for income taxes	\$ 20,350	\$ 329,329
Non-cash financing activities		
Cashless exercise of stock options	\$ 80,802	\$ 198,266

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying (a) condensed balance sheet as of September 30, 2014, which has been derived from audited financial statements, and (b) the unaudited interim condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to these rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of results to be expected for the full year or for any other interim period, due to variability in customer purchasing patterns and seasonal, operating and other factors. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2014.

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

Note 2. Net Income Per Share

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 1,952,900	\$ 1,174,840	\$ 3,310,934	\$ 4,383,471
Weighted average common shares	13,200,121	13,045,913	13,204,625	12,827,199
Dilutive potential common shares	414,828	502,035	376,473	742,195
Weighted average dilutive common shares outstanding	13,614,949	13,547,948	13,581,098	13,569,394
Net income per common share:				
Basic	\$ 0.15	\$ 0.09	\$ 0.25	\$ 0.34
Diluted	\$ 0.14	\$ 0.08	\$ 0.24	\$ 0.32

Note 3. Cash, Cash Equivalents and Investments

The Company currently invests its excess cash in money market accounts and bank certificates of deposit (CDs) with a term of not more than three years. CDs with original maturities of more than three months are reported as held-to-maturity investments and are carried at amortized cost. The maturity dates of the Company's CDs as of June 30, 2015 and September 30, 2014 are as follows:

	June 30, 2015	September 30, 2014
Less than one year	\$ 7,945,000	\$ 6,632,000
1-3 years	7,722,000	8,302,000
Total	\$ 15,667,000	\$ 14,934,000

Note 4. Stock-Based Compensation

The Company recorded \$280,526 and \$844,992 of compensation expense related to current and past option grants, restricted stock grants and the Company's Employee Stock Purchase Plan ("ESPP") for the three and nine months ended June 30, 2015, respectively. The Company recorded \$191,136 and \$565,505 of compensation expense related to current and past equity awards for the three and nine months ended June 30, 2014, respectively. This expense is included in selling, general and administrative expense. As of June 30, 2015, \$4,480,544 of total

unrecognized compensation expense related to non-vested equity awards is expected to be recognized over a period of approximately 9.3 years.

There were no stock options granted during the nine month periods ended June 30, 2015 and June 30, 2014. The following is a summary of stock option activity during the nine months ended June 30, 2015:

	Number of options	Weighted average exercise price
Outstanding at September 30, 2014	373,051	\$ 4.93
Granted	-	-
Exercised	(42,000)	2.92
Cancelled or Forfeited	(2,500)	6.36
Outstanding at June 30, 2015	328,551	\$ 5.18

The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price. As of June 30, 2015, the weighted average remaining contractual term for all outstanding stock options was 1.8 years and their aggregate intrinsic value was \$3,525,546. As of June 30, 2014, the weighted average remaining contractual terms of options that were exercisable was 1.9 years and their aggregate intrinsic value was \$2,981,443. During the nine months ended June 30, 2015, the Company received proceeds of \$41,688 from the exercise of stock options. During the nine months ended June 30, 2014, exercised stock options totaled 456,850 shares, resulting in \$618,848 of proceeds to the Company.

Restricted Stock

The Company's 2007 Stock Compensation Plan permits its Compensation Committee 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.

During the nine month period ended June 30, 2015, the Company granted non-employee directors restricted stock awards totaling 3,705 shares of common stock, with a vesting term of approximately one year and a fair value of \$13.48 per share. Additionally, during the nine month period ended June 30, 2015, the Company granted employees restricted stock awards totaling 3,000 shares of common stock, with a vesting term of ten years and a fair value of \$13.33 per share. During the nine month period ended June 30, 2014, the Company granted non-employee directors restricted stock awards totaling 1,915 shares of common stock, with a vesting term of approximately one year and a fair value of \$26.09 per share. Additionally, during the nine month period ended June 30, 2014, the Company granted employees restricted stock awards totaling 10,000 shares of common stock, with a vesting term of five years and a fair value of \$16.47 per share. Restricted stock transactions during the nine month period ended June 30, 2015 are summarized as follows:

	Number of shares	Weighted average grant date fair value
Unvested shares at September 30, 2014	518,515	\$ 10.02
Granted	6,705	13.41
Vested	(3,915)	20.51
Forfeited	(12,500)	10.28
Unvested at June 30, 2015	508,805	\$ 9.97

Employee Stock Purchase Plan

Clearfield, Inc.'s ESPP allows participating employees to purchase shares of the Company's common stock at a discount through payroll deductions. The ESPP is available to all employees subject to certain eligibility requirements. Terms of the ESPP provide 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 January 1 and July 1 of each calendar year. For the phases that ended on June 30, 2015 and December 31, 2014, employees purchased 10,119 and 10,097 shares, respectively, at a price of \$10.46 per share. After the employee purchase on June 30, 2015, 165,440 shares of common stock were available for future purchase under the ESPP.

Note 5. Accounts Receivable and Net Sales

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. The Company writes off accounts receivable when they become uncollectible; payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of both June 30, 2015 and September 30, 2014, the balance in the allowance for doubtful accounts was \$97,950.

See Note 7, "Major Customer Concentration" for further information regarding accounts receivable and net sales.

Note 6. Inventories

Inventories consist of the following as of:

	June 30, 2015	September 30, 2014
Raw materials	\$ 5,057,154	\$ 3,729,160
Work-in-progress	311,626	292,557
Finished goods	1,365,548	1,368,625
	<u>\$ 6,734,328</u>	<u>\$ 5,390,342</u>

Note 7. Major Customer Concentration

The following table summarizes customers comprising 10% or more of net sales for the three and nine months ended June 30, 2015 and June 30, 2014:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Customer A	*	*	*	26%
Customer B	29%	21%	27%	16%
Customer C	12%	*	*	*
Customer D	*	10%	*	*

* Less than 10%

As of June 30, 2015, and September 30, 2014, Customer C accounted for 17% and 10% of accounts receivable, respectively.

Note 8. Goodwill and Patents

The Company analyzes its goodwill for impairment annually or at an interim period when events occur or changes in circumstances indicate potential impairment. The result of the analysis performed in the fourth quarter ended September 30, 2014 did not indicate an impairment of goodwill. During the nine months ended June 30, 2015, there were no triggering events that indicate potential impairment exists.

The Company capitalizes legal costs incurred to obtain patents. Once accepted by either the U.S. Patent Office or the equivalent office of a foreign country, these legal costs are amortized using the straight-line method over the remaining estimated lives, not exceeding 17 years. As of June 30, 2015, the Company has five patents granted in the United States and four pending applications pending inside and outside the United States.

Note 9. Income Taxes

For the three and nine months ended June 30, 2015, the Company recorded a provision for income taxes of \$1,023,000 and \$1,796,000, respectively, reflecting an effective tax rate of 34.4% and 35.2%, respectively. The primary difference between the effective tax rate and the statutory tax rate is related to nondeductible meals and entertainment and expenses related to equity award compensation.

As of both June 30, 2015 and September 30, 2014, the Company had a remaining valuation allowance of approximately \$848,000 related to state net operating loss carry-forwards the Company does not expect to utilize.

Based on the Company's analysis and review of long-term forecasts and all available evidence, the Company has determined that there should be no change in this existing valuation allowance in the current quarter.

For the three and nine months ended June 30, 2014, the Company recorded a provision for income taxes of \$709,000 and \$2,533,000, respectively, reflecting an effective tax rate of 37.6% and 36.6%, respectively. The primary difference between the effective tax rate and the statutory tax rate is related to nondeductible meals and entertainment expenses and expenses related to equity award compensation.

Deferred taxes recognize the impact of temporary differences between the amounts of the assets and liabilities recorded for financial statement purposes and these amounts measured in accordance with tax laws. The Company's realization of net operating loss carry-forwards and other deferred tax temporary differences is contingent upon future taxable earnings. The Company reviewed its deferred tax asset for expected utilization using a "more likely than not" criteria by assessing the available positive and negative factors surrounding its recoverability.

As of June 30, 2015, we do not have any unrecognized tax benefits. It is the Company's practice to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company does not expect any material changes in its unrecognized tax positions over the next 12 months.

Note 10. Accounting Pronouncements

Recent Accounting Pronouncement

Revenue from Contracts with Customers - In May 2014, the Financial Accounting Standards Board (FASB) issued guidance creating Accounting Standards Codification ("ASC") Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. The Company will adopt the new provisions of this accounting standard at the beginning of fiscal year 2019, given that early adoption is not an option. The Company will further study the implications of this statement in order to evaluate the expected impact on the consolidated financial statements.

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

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future events and typically address the Company's expected future business and financial performance. Words such as "plan," "expect," "aim," "believe," "project," "target," "anticipate," "intend," "estimate," "will," "should," "could" and other words and terms of similar meaning, typically identify these forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual results could differ from those projected in any forward-looking statements because of the factors identified in and incorporated by reference from Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended September 30, 2014, as well as in other filings we make with the Securities and Exchange Commission, which should be considered an integral part of Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." All forward-looking statements included herein are made as the date of this Quarterly Report on Form 10-Q and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

The following discussion and analysis of our financial condition and results of operations as of and for the three and nine months ended June 30, 2015 and 2014 should be read in conjunction with the financial statements and related notes in Item 1 of this report and our Annual Report on Form 10-K for the year ended September 30, 2014.

OVERVIEW

General

Clearfield, Inc. manufactures, markets, and sells an end-to-end fiber management and enclosure platform that consolidates, distributes and protects fiber as it moves from the inside plant to the outside plant and all the way to the home, business and cell site. While continuing to penetrate the wireline requirements for fiber-to-the-home (“FTTH”) builds, Clearfield is actively engaged in the expansion of wireless services through the deployments of its technologies for cell backhaul and distributed antennas wireless services.

The Company has successfully established itself as a value-added supplier to its target market of broadband service providers, including independent local exchange carriers (telephone, or “telcos”), multiple service operators (cable), wireless service providers, municipal-owned utilities, as well as commercial and industrial original equipment manufacturers (“OEMs”). Clearfield has expanded its product offerings and broadened its customer base during the last five years.

The Company has historically focused on the un-served or under-served rural communities who receive their voice, video and data services from independent telephone companies. By aligning its in-house engineering and technical knowledge alongside its customers, the Company has been able to develop, customize and enhance products from design through production. Final build and assembly of the Company’s products is completed at Clearfield’s plants in Brooklyn Park, Minnesota, and Mexico, with manufacturing support from a network of domestic and global manufacturing partners. On September 9, 2014, the Company entered into a lease for a new facility in Brooklyn Park, MN to replace its plant in Plymouth. The lease term commenced in January 2015 and this facility now serves as the Company’s headquarters. Clearfield specializes in producing these products on both a quick-turn and scheduled delivery basis. The Company deploys a hybrid sales model with some sales made directly to the customer, some made through two-tier distribution (channel) partners, and some sales through original equipment suppliers who private label their products.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2015 VS. THREE MONTHS ENDED JUNE 30, 2014

Net sales for the third quarter of fiscal 2015 ended June 30, 2015 were \$18,196,000, an increase of approximately 27% or \$3,833,000 from net sales of \$14,363,000 for the third quarter of fiscal 2014. Net sales to broadband service providers and commercial data networks customers were \$16,716,000 in the third quarter of fiscal 2015, versus \$13,283,000 in the same period of fiscal 2014. Among this group, the Company recorded \$1,301,000 in international sales for the third quarter of fiscal 2015, versus \$860,000 in the same period of fiscal 2014. Net sales to build-to-print and OEM customers were \$1,480,000 in the third quarter of fiscal 2015 versus \$1,080,000 in the same period of fiscal 2014. The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. Accordingly, international sales represented 7% and 6% of total net sales for the third quarters of fiscal 2015 and 2014, respectively.

The increase in net sales for the third quarter of fiscal 2015 of \$3,833,000 compared to the same quarter of fiscal 2014 is primarily attributable to an increase of \$3,097,000 in net sales to our customer base of commercial data network providers, build-to-print and OEM manufacturers, and broadband service providers, outside of the competitive local exchange carrier (“CLEC”) group and international sales noted below, when compared to the same quarter of 2014. Additionally, an increase of \$295,000 was related to an ongoing build of a CLEC. Net sales were also positively affected by an increase in international sales of \$441,000 when compared to the same quarter of 2014. The Company does not have the ability to forecast future sales as revenue from all customers is obtained from purchase orders submitted from time to time. Accordingly, the Company’s ability to predict orders in future periods or trends affecting orders in future periods is limited.

Cost of sales for the third quarter of fiscal 2015 was \$10,399,000, an increase of \$2,080,000, or 25%, from \$8,319,000 in the comparable period of fiscal 2014. Gross margin was 42.8% for the fiscal 2015 third quarter, up from 42.1% for the fiscal 2014 third quarter. Gross profit increased \$1,754,000, or 29%, to \$7,797,000 for the three months ended June 30, 2015 from \$6,043,000 in the comparable period in fiscal 2014. The increase in cost of sales and gross profit is primarily as a result of higher production volumes, product mix, and the streamlining of cost structures in both our U.S. and Mexican manufacturing locations.

Selling, general and administrative expenses increased \$661,000, or 16%, to \$4,846,000 in the fiscal 2015 third quarter from \$4,185,000 for the fiscal 2014 third quarter. The increase in the third quarter of fiscal 2015 consists primarily of higher compensation expenses in the amount of \$169,000 mainly due to additional personnel and wage increases and higher performance compensation accruals of \$277,000. Also, stock compensation expense increased \$89,000 when compared to the same period of 2014 due to a higher amount of equity awards outstanding.

Income from operations for the quarter ended June 30, 2015 was \$2,951,000 compared to income from operations of \$1,858,000 for the comparable quarter of fiscal 2014, an increase of approximately 59%. This increase is attributable to increased net sales and higher gross profit.

Interest income for the quarters ended June 30, 2015 and June 30, 2014 was \$25,000 and \$26,000, respectively. The Company invests its excess cash primarily in FDIC-backed bank certificates of deposit and money market accounts.

We recorded a provision for income taxes of \$1,023,000 and \$709,000 for the three months ended June 30, 2015 and 2014, respectively. Due to net operating loss utilization, income tax expense primarily had a non-cash effect on the operating cash flow in the third quarters of both fiscal 2015 and 2014. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The increase in tax expense of \$314,000 from the third quarter for fiscal 2014 is primarily due to higher profitability in the third quarter of fiscal 2015. Our provisions for income taxes include current federal alternative minimum tax expense, state income tax expense and deferred tax expense.

The Company's net income for the three months ended June 30, 2015 was \$1,953,000, or \$0.15 per basic and \$0.14 per diluted share. The Company's net income for the three months ended June 30, 2014 was \$1,175,000, or \$0.09 per basic and \$0.08 per diluted share.

NINE MONTHS ENDED JUNE 30, 2015 VS. NINE MONTHS ENDED JUNE 30, 2014

Net sales for the nine months ended June 30, 2015 were \$44,553,000, an increase of 2% or approximately \$829,000 from net sales of \$43,724,000 for the first nine months of fiscal 2014. Net sales to broadband service providers and commercial data networks customers were \$40,638,000 for the first nine months of fiscal 2015, versus \$40,531,000 in the same period of fiscal 2014. Among this group, the Company recorded \$4,010,000 in international sales versus \$4,072,000 in the same period of fiscal 2014. Net sales to build-to-print and OEM customers were \$3,915,000 in the first nine months of fiscal 2015 versus \$3,193,000 in the same period of fiscal 2014. The Company allocates sales from external customers to geographic areas based on the location to which the product is transported. Accordingly, international sales represented 9% of total net sales for the first nine months of both fiscal 2015 and 2014.

The increase in net sales for the nine months ended June 30, 2015 of \$829,000 compared to the same period of fiscal 2014 is primarily attributable to an increase of \$9,676,000 in net sales to our customer base of commercial data network providers, build-to-print and OEM manufacturers, and broadband service providers, outside of the CLEC group and international sales noted below, when compared to the same period of 2014. Offsetting this increase was a decrease of \$8,785,000 related to a slowdown in an ongoing build of a CLEC. Net sales were also negatively affected by a decrease in international sales of \$62,000 during the same period. The Company does not have the ability to forecast future sales as revenue from all customers is obtained from purchase orders submitted from time to time. Accordingly, the Company's ability to predict orders in future periods or trends affecting orders in future periods is limited.

Cost of sales for the nine months ended June 30, 2015 was \$26,261,000, an increase of \$1,238,000, or 5%, from \$25,023,000 in the comparable period. Gross margin was 41.1% for the first nine months in fiscal 2015, down from 42.8% for the comparable nine months in fiscal 2014. Gross profit decreased \$409,000, or 2%, to \$18,293,000 for the nine months ended June 30, 2015 from \$18,702,000 in the comparable period in fiscal 2014. The increase in cost of sales in the first nine months of fiscal 2015 is primarily a result of increased sales volume. Gross profit decreased primarily as a result of additional costs associated with start-up operations related to the addition of our Mexico manufacturing facility in late fiscal 2014, lower absorption of factory overhead associated with lower production volumes, as well as product mix.

Selling, general and administrative expenses increased 12%, or \$1,406,000, from \$11,855,000 for the first nine months of fiscal 2014 to \$13,261,000 for the first nine months of fiscal 2015. The increase in the first nine

months of fiscal 2015 consists primarily of higher compensation expenses in the amount of \$834,000 mainly due to additional personnel and wage increases and one-time costs of \$137,000 associated with our move to expanded U.S. operations which was completed in the second quarter. Also, stock compensation expense increased \$279,000 when compared to the same period of 2014 due to a higher amount of equity awards outstanding. Additionally, depreciation increased \$167,000 compared to the same period of 2014 primarily due an investment in leasehold improvements in our new facility. These increases were partially offset by lower performance compensation accruals of \$178,000.

Income from operations for the nine months ended June 30, 2015 was \$5,032,000 compared to income from operations of \$6,846,000 for the first nine months of fiscal 2014, a decrease of \$1,814,000, or 27%. This decrease is attributable to increased selling, general and administrative costs and lower gross profit.

Interest income for the nine months ended June 30, 2015 was \$75,000 compared to \$70,000 for the comparable period for fiscal 2014. The Company invests its excess cash primarily in FDIC-backed bank certificates of deposit and money market accounts.

We recorded a provision for income taxes of \$1,796,000 and \$2,533,000 for the nine months ended June 30, 2015 and 2014, respectively. Due to net operating loss utilization, income tax expense primarily included a non-cash effect on the operating cash flow for the first nine months of both fiscal 2015 and 2014. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The decrease in tax expense of \$737,000 from the nine months ended June 30, 2014 is primarily due to lower profitability in the first nine months of fiscal 2015. Our provisions for income taxes include current federal alternative minimum tax expense, state income tax expense and deferred tax expense.

The Company's net income for the first nine months of fiscal 2015 ended June 30, 2015 was \$3,311,000, or \$0.25 per basic and \$0.24 per diluted share. The Company's net income for the first nine months of fiscal 2014 ended June 30, 2014 was \$4,383,000, or \$0.34 per basic and \$0.32 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2015, our principal source of liquidity was our cash, cash equivalents and short-term investments. Those sources total \$25,106,000 at June 30, 2015 compared to \$24,823,000 at September 30, 2014. Our excess cash is invested mainly in certificates of deposit backed by the FDIC and money market accounts which are insured by the FDIC. Investments considered long-term were \$7,722,000 at June 30, 2015, compared to \$8,302,000 at September 30, 2014. We believe the combined balances of short-term cash and investments along with long-term investments provide a more accurate indication of our available liquidity. As of June 30, 2015, Clearfield had no debt and \$32,828,000 in cash, cash equivalents and investments, compared to \$33,125,000 at September 30, 2014.

The Company expects to fund operations with its working capital, which is the combination of existing cash and cash equivalents and cash flow from operations, accounts receivable and inventory. We believe these resources will be sufficient to fund our working capital and capital resources needs for 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 the Board of Directors and announced on November 13, 2014.

Operating Activities

Net cash provided by operating activities totaled \$4,341,000 for the nine months ended June 30, 2015. This was primarily due to net income of \$3,311,000, non-cash expenses for depreciation and amortization of \$871,000, deferred taxes of \$1,682,000, and stock-based compensation of \$845,000, offset by changes in operating assets and liabilities using cash. Changes in operating assets and liabilities providing cash include an increase in accounts payable and accrued expenses of \$1,269,000, primarily related to inventory and fixed asset purchases. Changes in operating assets and liabilities using cash include an increases in accounts receivable and inventory of \$2,359,000 and \$1,344,000, respectively. The increase in accounts receivable is primarily attributable to the increased sales in the quarter ended June 30, 2015. In addition, days sales outstanding, which measures how quickly receivables are collected, increased 5 days to 37 days from September 30, 2014 to June 30, 2015. Accounts receivable can also be influenced by the timing of shipments for customer projects and payment terms. The increase in inventory represents an adjustment for seasonal demand along with changes in stocking levels for product development life cycles.

Net cash provided by operating activities totaled \$11,739,000 for the nine months ended June 30, 2014. This was primarily due to net income of \$4,383,000, non-cash expenses for depreciation and amortization of \$492,000, deferred taxes of \$2,344,000, and stock-based compensation of \$566,000, in addition to changes in operating assets and liabilities providing cash. Changes in operating assets and liabilities providing cash included decreases in accounts receivable and inventory of \$3,066,000 and \$328,000, respectively, and an increase in accounts payable and accrued expenses of \$773,000. Accounts receivable balances can be influenced by the timing of shipments for customer projects and payment terms. The decrease in accounts receivable was primarily a result of significant payments received in the first quarter from one customer with a large balance at September 30, 2013, resulting in a substantially lower receivable balance at June 30, 2014. The decrease in inventory reflected the fulfillment of orders that were in the Company's backlog as of September 30, 2013 and also represented an adjustment for seasonal demand along with changes in stocking levels for product development life cycles. The increase in accounts payable and accrued expenses primarily reflected a reclassification from accounts receivable of \$2,561,000 to accrued rebates for customers with rebate terms as rebates owed exceeded the related accounts receivable balances as of June 30, 2014. The change in accounts payable and accrued expenses also reflected a decrease related to the fiscal 2013 accrued bonus compensation accruals of approximately \$2,691,000 which were paid during the first quarter of fiscal 2014. Changes in working capital items using cash included an increase in prepaid expenses and other of \$218,000, primarily related to deposits on inventory and capital equipment that were put into production during the fourth quarter of fiscal 2014.

Investing Activities

We invest our excess cash in money market accounts and bank CDs in denominations across numerous banks. We believe we obtain a competitive rate of return given the economic climate along with the security provided by the FDIC on these investments. During the nine months ended June 30, 2015, we used cash to purchase \$7,517,000 of FDIC-backed securities and received \$6,784,000 on CDs that matured. Purchases of capital equipment and patents consumed \$4,028,000 of cash. This consisted primarily of \$3,027,000 in leasehold improvements and office equipment for the build out of our new facility which was completed in the second quarter.

During the nine months ended June 30, 2014, we used cash to purchase \$8,899,000 of FDIC-backed securities and received \$5,991,000 on CDs that matured. Purchases of patent fees and capital equipment, mainly information technology and manufacturing equipment, consumed \$1,061,000 of cash in the nine months ended June 30, 2014.

Financing Activities

For the nine months ended June 30, 2015, we received \$211,000 from employees' participation and purchase of stock through our ESPP and \$42,000 from the issuance of stock as a result of employees exercising options. For the nine months ended June 30, 2015, we used \$849,000 to repurchase our common stock. As of June 30, 2015, we had the authority to purchase approximately \$7,151,000 in additional shares under the repurchase program announced on November 13, 2014.

For the nine months ended June 30, 2014, we received \$186,000 from employees' participation and purchase of stock through our ESPP. We received \$619,000 from the issuance of stock as a result of employees exercising options, and used \$142,000 to pay for taxes for employees who elected to tender shares to satisfy tax withholding obligations upon exercise of stock options.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management utilizes its technical knowledge, cumulative business experience, judgment and other factors in the selection and application of the Company's accounting policies. The accounting policies considered by management to be the most critical to the presentation of the financial statements because they require the most difficult, subjective and complex judgments include revenue recognition, stock-based compensation, deferred tax asset valuation allowances, accruals for uncertain tax positions, and impairment of goodwill and long-lived assets.

These accounting policies are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended September 30, 2014. Management made no changes to the Company's critical accounting policies during the quarter ended June 30, 2015.

In applying its critical accounting policies, management reassesses its estimates each reporting period based on available information. Changes in these estimates did not have a significant impact on earnings for the quarter ended June 30, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2015. Based upon that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, that occurred during the quarter ended June 30, 2015 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is exposed to a number of asserted and unasserted legal claims encountered in the ordinary course of business. Although the outcome of any such legal action cannot be predicted, management believes that there are no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon its financial position or results of operations.

ITEM 1A. RISK FACTORS

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended September 30, 2014. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

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

In the three months ending June 30, 2015, the Company repurchased shares of stock as follows:

Period	ISSUER PURCHASES OF EQUITY SECURITIES			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
April 1-30, 2015	—	\$—	—	\$—
May 1-31, 2015	875	15.17	—	—
June 1-30, 2015	—	—	—	—
Total	875	\$15.17	—	\$7,150,843

- (1) Amount remaining from the \$8,000,000 repurchase authorization approved by the Company's Board of Directors in November 2014. The 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. The repurchase program is expected to continue indefinitely until the maximum dollar amount of shares has been repurchased or until the repurchase program is earlier modified, suspended or terminated by the Board of Directors.

In the three months ending June 30, 2015, the Company repurchased a total of 875 shares in connection with payment of taxes upon vesting of restricted stock previously issued to employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEARFIELD, INC.

July 29, 2015

/s/ Cheryl P. Beranek

By: Cheryl P. Beranek
Its: President and Chief Executive Officer
(Principal Executive Officer)

July 29, 2015

/s/ Daniel Herzog

By: Daniel Herzog
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Cheryl P. Beranek, certify that:

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

July 29, 2015

/s/ Cheryl P. Beranek

By: Cheryl P. Beranek, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Daniel Herzog, certify that:

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

July 29, 2015

/s/ Daniel Herzog

By: Daniel Herzog, Chief Financial Officer
(Principal Financial and Accounting Officer)

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

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

(1) The accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2015 of Clearfield, Inc. (the “Company”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

July 29, 2015

/s/ Cheryl P. Beranek
By: Cheryl P. Beranek, President and Chief Executive Officer
(Principal Executive Officer)

July 29, 2015

/s/ Daniel Herzog
By: Daniel Herzog, Chief Financial Officer
(Principal Financial and Accounting Officer)