



CLEARFIELD, INC.

AUDIT COMMITTEE CHARTER

Purpose

The primary purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Clearfield, Inc. (the “Company”) is to assist the Board in its oversight of:

- (i) the integrity of the Company’s financial statements as well as the Company’s financial reporting process and systems of internal control;
- (ii) the qualifications, independence and performance of the Company’s independent auditor; and
- (iii) the Company’s compliance with certain legal and regulatory requirements.

Membership

The Committee membership shall be comprised of at least three members of the Board. The chair of the Committee and members shall be appointed by the Board. Each member of the Committee shall satisfy the independence and experience requirements of the NASDAQ Stock Market and the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All members of the Committee shall be able to read and understand fundamental financial statements. At least one member of the Committee shall be an “audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”).

Meetings

The Committee shall hold regular meetings and as scheduled by the Committee chair. At the request of the Committee, meetings may be held with members of management or the Company’s internal accounting staff or representatives of the Company’s independent auditor or consultants. The Committee shall meet at least quarterly with the independent auditor in executive session and at least annually with management in executive session.

Minutes of such meetings will be prepared and distributed to each member of the Board. The chair of the Committee will report to the Board from time to time, or whenever so requested by the Board.

Authority and Resources

The Committee shall have the sole authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditor, to approve the fees and other terms of retention, and to oversee the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee. The Committee also has the sole authority and responsibility to approve any significant non-audit relationship with the independent auditor and may engage outside legal counsel or other advisors for the Committee as the Committee may deem appropriate in its sole discretion.

Responsibility

The fundamental responsibility of the Committee is one of oversight. The management of the Company is responsible for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and for compliance with reporting to the SEC. The independent auditor is responsible for planning and conducting, in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB"), an audit of the Company's annual financial statements and a review of quarterly financial statements. To fulfill its oversight role, the Committee shall, to the extent it deems necessary or appropriate:

Financial Statement and Disclosure Matters

- 1) Review and discuss the annual audited financial statements with management and the independent auditor, including the disclosures under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," major issues regarding accounting and auditing principles and practices, and the adequacy of internal control over financial reporting. The Committee shall make a recommendation to the Board as to whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
- 2) Review and discuss with management and the independent auditor the Company's quarterly unaudited financial statements prior to the filing of the Company's Quarterly Report on Form 10-Q, including disclosures under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the results of the independent auditor's review of the quarterly financial statements.
- 3) Review and discuss with management and the independent auditor the Company's earnings press releases prior to issuance. Discuss with management the types of information and types of presentations to be made in the Company's earnings press releases, and provided to analysts and rating agencies, such as the circumstances under which pro forma or non-GAAP information or earnings guidance would be included.

- 4) Review and discuss with management and the independent auditor major issues regarding accounting principles and financial statement presentation, including any changes in the Company's selection and application of accounting principles, all critical accounting policies, and judgments made in connection with the preparation of the Company's financial statements.
- 5) Annually obtain and review a report from the independent auditor, describing: (i) all critical accounting policies and practices to be used in the financial statements; (ii) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences. Review any reports on such topics or similar topics prepared by management, including any significant financial reporting issues and judgments made in connection with the preparation of the financial statements. Discuss with the independent auditor any material issues raised in such reports.
- 6) Review any management letter provided by the independent auditor and the Company's response to that letter. Monitor actions taken by the Company in response to any letters or reports to management provided by the independent auditor.
- 7) Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the Company's financial statements.

Oversight of the Company's Relationship with the Independent Auditor

- 8) Review the scope of the annual audit and services to be provided by the independent auditor during the year. Pre- approve all auditing services, internal control-related services and permitted non-audit and tax services to be provided to the Company by the independent auditor, subject to any exceptions provided by the Exchange Act. The chair of the Committee may pre-approve any such services according to the procedures approved by the Committee, provided that any approval by the chair must be presented to the Committee at its next meeting.
- 9) Obtain and review, at least annually, a report from the independent auditor regarding: (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review or peer review of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company, including the matters set forth in Independence Standards Board Standard No. 1. Discuss with the independent auditor any issues or relationships disclosed in such report

that, in the judgment of the Committee, may have an impact on the competence or independence of the independent auditor.

- 10) Discuss with the independent auditor the matters required to be discussed pursuant to the Statement on Auditing Standards No. 114 *The Auditor's Communication With Those Charged With Governance*, as currently in effect, including any audit problems or difficulties encountered in performing the audit and management's response, and disagreements with management.
- 11) Obtain assurance from the independent auditor that the audit was conducted in a manner consistent with the Exchange Act.
- 12) Review and periodically evaluate the performance of the lead audit partner of the independent auditor and assure the regular rotation of the lead audit partner and the audit partner responsible for reviewing the audit as required by law.
- 13) Evaluate the cooperation received by the independent auditor during its audit examination, including the access to all requested records, data, and information and elicit the comments of management regarding the responsiveness of the independent auditor to the Company's needs.
- 14) Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

Oversight of Disclosure and Internal Controls

- 15) Review with the Chief Financial Officer the activities, organizational structure, and qualifications of the internal financial staff.
- 16) Receive quarterly reports from management regarding the Company's system of disclosure controls and procedures.
- 17) Review any disclosures provided by the Chief Executive Officer or the Chief Financial Officer to the Committee regarding: (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; and (ii) any fraud, including that which involves management or other employees who have a significant role in the Company's internal controls.
- 18) Review, as appropriate, the results of internal audits and discuss related significant internal control matters with the Chief Financial Officer and internal auditor or such outside consultant that provides services related to the audit of internal controls.
- 19) Review with the Chief Financial Officer and the independent auditor and/or the internal auditors or consultants the adequacy of the Company's internal controls.
- 20) Review with management and the independent auditor the Company's policies

and procedures regarding compliance with its internal policies as well as applicable laws and regulations, including without limitation with respect to maintaining books, records and accounts and a system of internal accounting controls in accordance with Section 13(b)(2) of the Exchange Act.

- 21) Exercise oversight of risks relating to accounting matters, financial reporting and internal control over financial reporting. Discuss such risks with management and the independent auditors, including steps taken to identify and minimize such risks.

Compliance and Regulatory Oversight Responsibilities

- 22) Review and approve written procedures for the confidential receipt, retention and consideration of any report of a material violation of federal securities laws, breach of fiduciary duty or similar violations by the Company or any officer, director, employee or agent of the Company.
- 23) Review and approve the procedures for the receipt, retention and treatment of concerns received by the Company regarding accounting, internal controls or auditing matters submitted by any person. This includes the implementation of a policy for handling such concerns that prohibits retaliation against such person as required by the Sarbanes-Oxley Act of 2002.
- 24) Review with the Chief Financial Officer, General Counsel and others as needed legal matters that may have a material impact on the financial statements, the Company's compliance policies, and any material reports or inquiries received from regulators or governmental agencies.
- 25) Inquire of the independent auditor whether any violation of Section 10A (relating to the detection of illegal acts that may have a direct and material effect on the determination of financial statement accounts) of the Exchange Act has been detected.
- 26) Oversee the Company's Code of Ethics and Business Conduct (the "Code"), which will also constitute the code of ethics for the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, as contemplated by rules promulgated under the Exchange Act. Grant waivers to senior officers and directors under the Code, when appropriate and in the best interests of the Company.
- 27) Review and approve all related-party transactions in accordance with policies and procedures established by the Company from time to time relating to such transactions.
- 28) Oversee, review and discuss with management: (i) the Company's cybersecurity, information technology and data security risks and threats; (ii) the potential impact of those risks and threats on the Company's business, operations and reputation; and (iii) management's processes, procedures and actions to identify,

assess, monitor, mitigate and remediate such risks and threats.

Other Matters

- 29) Discuss with the independent auditor the quality of the Company's financial and accounting personnel and any relevant recommendations that the independent auditor may have, including those in its "Report to Management."
- 30) Conduct an annual review of the Audit Committee Charter and recommend changes, if any, to the Board.
- 31) Conduct an annual self-evaluation of the effectiveness of the Committee.
- 32) Provide input to the Chief Executive Officer regarding the annual review of the Chief Financial Officer.
- 33) Oversee the preparation of an annual report of the Committee to be included in the Company's proxy statement.
- 34) Perform other duties as requested by the Board.

Limitation of Committee's Role

The Committee relies on the expertise and knowledge of management, the independent auditor, legal counsel and other advisors in carrying out its oversight responsibilities. It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor. Management is also responsible for establishing and maintaining an appropriate system of: (i) internal controls and procedures for financial reporting; and (ii) disclosure controls and procedures, in accordance with applicable law.