

GOVERNANCE GUIDELINES

The following Governance Guidelines have been adopted by the Board of Directors (the “Board”) of Clearfield, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Governance Guidelines are not intended to change or interpret any federal or state law or regulation, including the laws of the State of Minnesota, or the Articles of Incorporation or Bylaws of the Company.

MISSION AND RESPONSIBILITIES OF THE BOARD

Mission Statement

The Board’s primary objective is to maximize long-term shareholder value and to assure the vitality of the Company for its owners, employees, customers and the other individuals and organizations who depend on the Company.

Responsibility of the Board

The business and affairs of the Company shall be managed by or under the direction of the Board. In furtherance of its mission, the Board delegates certain authority to management. Management, and not the Board, is responsible for managing the Company. The Board also advises management with respect to strategic plans and expects and requires that the Company’s management and employees operate in a legal and ethically responsible manner.

Each director is expected to spend the time and effort necessary to properly fulfill his or her responsibilities, including regularly attending meetings of the Board and committees on which he or she sits, with the understanding that on occasion a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chairman of the Board or the chair of the appropriate committee in advance of such meeting.

BOARD COMPOSITION AND INDEPENDENCE

1. Size of the Board

The Board should generally have between five and seven directors. If appropriate, the Board can determine to increase its size from the present number of directors, including in order to accommodate the availability of an outstanding candidate.

2. Mix of Inside and Outside Directors

The Board believes that as a matter of policy there should be a majority of independent outside directors serving on the Company’s Board of Directors.

3. What Constitutes Independence for Outside Directors

The Company incorporates the definition of independence as provided in the listing standards of the Nasdaq Stock Market, as amended from time to time.

4. Chairman of the Board; Lead Director.

The Chairman of the Board will be selected by the Board. The Chairman of the Board is a non-executive officer position. The Board may select the Chief Executive Officer as Chairman if that seems best for the Company at a given point in time. If the Chairman is also the Chief Executive Officer, the Board will select from the non-management directors a lead director to, among other things, preside at executive sessions of the Board.

5. Board Membership Criteria

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of Board members, taking into account the needs of the Company and the Board of Directors. The Nominating and Corporate Governance Committee will develop standards and qualifications for prospective nominees. The Nominating and Corporate Governance Committee will consider persons recommended by the Company's shareholders using the same standards used for other nominees.

6. Selection of New Director Candidates

The Nominating and Corporate Governance Committee is responsible for selecting candidates for membership to the Board.

7. Extending the Invitation to a New Potential Director to Join the Board

An invitation to join the Board should be extended by the Chair of the Nominating and Corporate Governance Committee.

8. Term Limits

The Board does not believe it should establish term limits. The Nominating and Corporate Governance Committee shall consider the issue of continuing director tenure in connection with the nomination of directors.

9. Change in a Director's Principal Employment

A director whose personal circumstances substantially changes in a manner that could affect service on the Board after election to the Board will volunteer to resign from the Board, and the Nominating and Corporate Governance Committee shall determine whether the director's continued service is appropriate under the circumstances.

10. Retirement of Directors

The Company has no specific policy relating to the retirement of directors, but instead the Nominating and Corporate Governance Committee will consider each director and nominee on an individual basis given such person's qualifications.

11. Limit on Number of Directorships

The Company has a guideline that (a) non-employee directors should serve on no more than four Boards of other publicly held companies (b) officers of the Company should serve on no more than two Boards of for-profit companies (publicly or privately held), provided in each case that such service does not adversely affect the person's ability to perform his or her duties to the Company.

On a case-by-case basis, the Board of Directors may approve, in its discretion, service by a non-employee director on more than four Boards of other publicly owned companies.

12. Loans

Personal loans by Clearfield to directors and executive officers are not permitted.

COMMITTEES

13. Number of Committees

The Board has the following standing committees: Audit, Compensation, and Nominating and Corporate Governance. The Board has the flexibility to form a new committee or disband a current committee. Each committee shall have a charter approved by that committee and by the Board of Directors.

It is the policy of the Board that only independent outside directors serve on the Audit, Compensation and Nominating and Corporate Governance Committees, as those terms are defined and applicable to the respective committees in the Securities Exchange Act of 1934, the Exchange Act Rules, the listing standards of The Nasdaq Stock Market, and the Internal Revenue Code.

14. Assignment and Rotation of Committee Members

The Board, upon recommendation of the Nominating and Corporate Governance Committee, designates the members of the committees taking into account the desires of individual Board members. Each committee shall be chaired by an independent director.

The Board believes that due consideration should be given to rotating committee members periodically, but not so as to deprive the committee of the experience or expertise of a particular member.

15. Frequency and Length of Committee Meetings

The chair of each committee, in consultation with its members and invited management or other guests, determines the frequency and length of the meetings of the committee.

16. Development of Committee Agendas and Distribution of Committee Materials

Prior to a meeting of one of the committees of the Board, with direction from the Chair of that committee and the Chief Executive Officer, an agenda for the meeting and any information or material for review will be sent to the committee members.

Information and data that are important to a committee's understanding of agenda items should be distributed in writing to the members of the committee prior to its meeting. As a general rule, presentations on specific subjects also should be sent to the committee members in advance. Committee materials and presentations should be complete and concise.

BOARD OPERATIONS AND PERFORMANCE

17. Development of Board Agendas

Prior to a regular Board meeting, with direction from the Chairman of the Board or Chair of the Nominating and Corporate Governance Committee and the Chief Executive Officer, an agenda for the meeting and any information or material for review will be sent to the directors.

Development of the agenda for each regular Board meeting is the responsibility of the Chairman of the Board, in collaboration with the Chair of the Nominating and Corporate Governance Committee and the Chief Executive Office. Directors may request that additional subjects be placed on the agenda.

18. Distribution of Board Materials

Information and data that are important to the Board's understanding of agenda items should be distributed in writing to the Board prior to the meeting of the Board. As a general rule, presentations on specific subjects also should be sent to Board members in advance. Board materials and presentations should be complete and concise. Management is responsible for providing materials to directors who are absent from all or any portion of a meeting.

19. Officer Invitations to Board Meetings

Appropriate officers of the company may be invited by the Chief Executive Officer and Chairman of the Board to attend the general session of a Board meeting.

20. Board Interaction with Institutional Investors, the Press, Customers, Etc.

The Board believes that management speaks for the Company. Individual Board members may, from time-to-time, meet or otherwise communicate with various constituencies that are involved with the Company, but only at the request of management.

21. Board Interaction with Interested Parties

The Board will establish a means for the shareholders, employees, and other interested persons to communicate with the Board of Directors, any committee of the Board and any individual director, including a means by which concerns about accounting, internal controls over financial reporting, and auditing matters, may be submitted on a confidential and anonymous basis. The Board will also establish a process for reviewing and addressing communications from such parties.

22. Executive Sessions

The outside directors will meet in executive session at each regular Board meeting. Members of the Board's standing committees meet in executive session without management present at each committee meeting.

23. Board Access to Senior Management, Auditors and Counsel

Directors have full and free access to members of management and to employees of the Company. The Board and each of its standing committees have the authority to engage outside counsel, accountants, experts and other advisors as they determine appropriate to assist them in the performance of their functions.

24. Board Compensation Review

Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and action by the Board.

It is the policy of the Board that a director compensation should consist of a mix of cash and equity, which should be granted under a shareholder approved equity-compensation plan.

25. Self-Assessment of Performance of the Board and Committees

Each year the Board of Directors will conduct a review of its own performance, as well as the performance of its committees. The Nominating and Corporate Governance Committee is responsible for developing a process for self-evaluation and reporting annually to the Board regarding the results of its self-evaluation. Each of the committee chairs will be responsible for reviewing the results of the self-evaluation for such committee with its members.

LEADERSHIP DEVELOPMENT

26. Selection of the Executive Officers

The Board is responsible for identifying potential candidates for, and selecting, the Company's CEO. The Board is responsible for selecting all other executive officers on the recommendation of Chief Executive Officer.

27. Evaluation of the Chief Executive Officer

The Nominating and Corporate Governance Committee shall have the responsibility of establishing a CEO evaluation process, with the results of such process provided to the Compensation Committee as part of its review of compensation of the CEO.

The full Board (outside directors) will review the CEO at least annually. Such review will be conducted prior to the recommendations from the Compensation Committee with respect to long and short term compensation goals and performance of the CEO. The results of the review process will be communicated to the CEO by the Chairs of the Governance and Compensation Committees or as otherwise determined by the Board.

28. Strategic and Succession Planning

One of the regular Board meetings held each year should be an extended meeting focusing on annual and long-range strategic plans and goals.

The Board plans for succession to the position of the CEO. The Nominating and Corporate Governance Committee periodically reviews the Company's succession plans for the CEO and makes recommendations to the Board regarding the selection of individuals to fill this position.

The Nominating and Corporate Governance Committee will also ensure that successors are identified or that a plan is in place to identify successors for other executive officer and management positions, based upon the recommendations of the Chief Executive Officer.

29. Orientation and Continuing Education of Board Members

The Company will conduct an orientation program for new directors following the meeting at which the new director is elected. The orientation will include presentations by senior management with respect to the Company's business, strategic plans, financial matters and its governance and audit processes. The Board encourages its members to attend corporate governance and director education programs.

30. Code of Conduct

The Company has adopted a Code of Ethics and Business Conduct that applies to all employees and directors. Any request for waivers under the Code shall be made as set forth in the Code of Ethics and Business Conduct and if a person or body other than the Audit Committee is responsible for acting upon a request for a waiver, the Audit Committee shall be informed of each request and such responsible person's or body's determination.