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Interviews & News!

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Clearfield Is A New Name For An Established Company Focused On Enabling Small Market Telephone Companies Bring Fiber The Last 100 Yards To Their Customers' Homes



CLEARFIELD

Technology
Communication Equipment
(CLFD-NASDAQ)

Clearfield, Inc.

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Ms. Cheryl Beranek Podzimek
President, CEO and Director

BIO:

Clearfield, Inc. President and CEO Cheri

Beranek Podzimek is a founding member of the company, formerly known as APA Cables & Networks (APACN). She is considered a visionary in the telecommunications networking industry, and has extensive leadership experience in the field of emerging high-tech growth companies.

In July 2003, she joined APA Enterprises as president of its subsidiary APACN. In June 2007, she was appointed president and CEO. Previously, Ms. Podzimek served as president of Americable, for which she had previously been its chief operating officer.

Throughout her career, Ms. Podzimek has held a variety of leadership positions with emerging high-growth technology companies, including: vice president of marketing, Transition Networks; director of marketing, Tricord Systems; and director of marketing, Digi International. She also has extensive non-profit experience including: the City of Fargo, the Metropolitan Planning Commission of Fargo/Moorhead, and North Dakota State University (NDSU).

Company Profile:

Clearfield, Inc., formerly APA Cables & Networks, designs and manufactures the FieldSmart fiber management platform, which includes its latest generation Fiber Distribution System (FDS) and Fiber Scalability Center (FSC). The FDS and FSC product-lines support a wide range of panel configurations, densities, connectors and adapter options and are offered alongside an assortment of passive optical components. Clearfield provides a complete line of fiber and copper assemblies for controlled and outside plant en-

vironments. Clearfield is a public company, traded on Nasdaq: CLFD.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Ms. Podzimek, there have been some recent changes at the company; what is the current vision for Clearfield?

Ms. Podzimek: “We are focused on being the most innovative provider of passive connectivity products to telecommunications service providers in the United States market, principally in the non-metro markets. In the US there are about 170 million access lines, which are data and phone lines, and 90% of those are controlled by the big providers such as AT&T, Verizon, and Qwest. We don’t call on that market. Instead, we focus on the other 10%, which are controlled by 1,100 independent telephone companies, and being able to provide them with superior fiber management products than they are currently getting from our primary competitors.”

CEOCFO: What makes Clearfield’s products different?

Ms. Podzimek: “As president of a small company, I know that cash preservation is king. Therefore, we design our product line to allow smaller organizations to scale their network installations, using one port at a time. The foundation of our product line is Clearview Cassette Technology, which allows the customer to build their networks one 12-port cassette at a time. By comparison, our competition says ‘Here is this full-fixed panel of 96 ports or a full-fixed cabinet of 288 ports’ which requires a much larger,

more cost-prohibitive footprint. What we tell customers is: ‘We want you to be able to manage your capital equipment investment with your subscriber revenue. Therefore, as you turn up new customers, you can increase your capital equipment expenditures one port at a time.’”

CEOCFO: Are there many companies in your range where you are competing to reach the customer?

Ms. Podzimek: “The majority of our competition are billion-dollar companies. They are huge companies with a much higher level of overhead. As a \$20 million organization, we have a different way of going to market. Clearfield has a much lower level of overhead, and a much higher level of nimbleness in the FTTH market. We realize that we need to change the rules of the game. We need to work with our customers in a way that better matches our ability to win. We are in a much better position to serve the largely underserved rural market, where the average order is going to be a lot smaller.”

CEOCFO: What is the ongoing customer base?

Ms. Podzimek: “One of the key areas in this industry right now is Fiber To The Home (FTTH) deployment. Currently only 2% of homes in the US have fiber run directly to them.

Back in the late 1990’s and early 2000, there was a huge infrastructure investment for fiber across the globe. But all of that fiber was put into what we call into ‘metro-networks,’ which is basically connectivity to cities. Fiber wasn’t laid once it got to the cities, however. Nor was it laid to each individual home, where homeowners could access it. (This is why it is called the ‘access network.’)

Again, only 2% of these homes have FTTH access. Our initiative is to work with all the independent telephone companies in the country to serve as their equipment provider as they move to a full fiber network.

From an historical perspective, it took 100 years for all of the houses in the US

to have access to telephones. It took 50 years *after* cable TV was introduced before the majority of homes actually had access to it. Using these metrics, conventional wisdom would indicate that it will take 20 to 25 years for all homes to have access to fiber. Our goal now is to work on a project basis with these 1,100 independent telephone companies -- as well as utilities that are servicing those communities -- to provide FTTH far faster than the predicted 20-year period.”

CEOCFO: Is there any possibility that something will overtake fiber?

Ms. Podzimek: “Fiber is a perfect medium because it has an unlimited bandwidth potential. It really has a huge built-in ‘future-proofing’ mechanism to ensure

“I would encourage people to look at us as the new company we are today, and not the company we were previously. The opportunity before us is staggering. We are taking a fresh look at the Fiber To The Home market. Only 2% of the homes are currently served, and that market is growing at a rate of 100% a year. Because of our nimble structure, we are in a fabulous position to capture more than our fair share. And with the new technology we just announced, the Clearview Cassette, we can provide our customer with a high level of capability and customization at a cost structure that allows us realize the full market potential.”

- Ms. Cheryl Beranek Podzimek

that no matter what your bandwidth needs are, you will always be able to push the necessary data.

People sometimes ask me, ‘Well what about wireless and being able to eliminate cable entirely?’ My answer is: Wireless will grow, but it doesn’t have the bandwidth requirements to scale with our industry as individual user’s needs change. As an example, today you can use your wireless wonderfully for cell phones, and you can use wireless to some extent for internet connectivity. But that is where the boundaries stop. Therefore, wireless today is not a good mechanism to be able to provide video services.

Think about a year or two from now, when we get to full high definition func-

tionality. The next logical step will be multiple high def communications in a single home. Then there will be two-way high definition, where you are actually able to use your high definition for television sets, medical transcription, pay-per-view and a multitude of different applications. Whereas wireless mechanisms are not going to be able to scale to that, whereas fiber can.

Therefore, we think that the network we are going to see over the next 20 years is going to be very heterogeneous. We are going to see a mixture of fiber and standard copper, Twinax, Coax as well as wireless.”

CEOCFO: Are most of your 1,100 potential customers looking for ways to implement fiber or do you have to convince them?

Ms. Podzimek: “As in any market, you have your early adopters, your innovators as well as the early majorities and standard market adoption cycles. However, we have 75 of those 1,100 customers who are already currently deploying several different projects with us. The requirement with these customers is that their markets are changing radically and the most innovative of these customers are already deploying fiber because their revenue base has changed so much.

Most of these phone companies historically made the majority of their revenue on long-distance. When long-distance revenue went away with the advent of the cell phone, they had to find a new way to maintain a revenue base. That, combined with the fact that cable TV companies are now offering voice services, has caused their previous revenue streams to dry up. This increased revenue competition means they now need to offer new services. Fiber is allowing them to offer video services as that next stage to stay viable.”

CEOCFO: You recently had a change of name and some reorganization, why is this the time to do that?

Ms. Podzimek: “APA Enterprises operated as a publically traded company for

the last 20 years. The Optronics business unit represented our primary business focus. Its basis was in gallium nitrate, which was the R&D focus of our founder. There were considerable energies directed to those projects in the past, but the board decided in early 2007 that the company was not going to get to the scale necessary to make that operating unit profitable. Therefore, in June of last year, the decision was made to close that unit. It had not been generating revenue for the company, but, in fact, was as a significant cash burn for the organization.

With the closure of that business unit, we needed to look at the other unit that remained with the company, APA Cables & Networks. We looked at how to best position the company for growth. It had taken the name APA Cables & Networks based upon the parent company name when it was founded four years prior. But that name didn't mean a lot to our customers. Instead, it created brand confusion – raising questions like, 'Are you a cable company or can I buy service from you?'

We needed to set a new foundation and a new beginning. We talked to customers, suppliers and prospects. The feedback we received was we were a company with a strong vision of where we needed to go – yet we remained grounded and practical in our high level of commitment to our customer base

Ultimately, we decided that 'clear' was the definition of that vision and 'field' was a personification of being grounded, so the name 'Clearfield' was chosen for us to move forward."

CEO CFO: What is your financial picture like today?

Ms. Podzimek: "We maintain a strong balance sheet. Unfortunately, under the Optronics business environment the company did lose a sizeable amount of money over the last 20 years. So, we have re-focused the organization today on business fundamentals and growing our revenue and profitability. We have recorded our 1st Quarter of profitability, as well as for the period ending December 31st. We are comfortable that we have our act together

and that we are building that foundation one quarter at a time. We continue to have a strong balance sheet with substantial cash and short-term assets, and we will be focusing on building shareholder equity."

CEO CFO: In closing, why should potential investors be interested and what might they miss when they first look at Clearfield?

Ms. Podzimek: "I would encourage people to look at us as the new company we are today, and not the company we were previously. The opportunity before us is staggering. We are taking a fresh look at the Fiber To The Home market. Only 2% of the homes are currently served, and that market is growing at a rate of 100% a year. Because of our nimble structure, we are in a fabulous position to capture more than our fair share. And with the new technology we just announced, the Clearview Cassette, we can provide our customer with a high level of capability and customization at a cost structure that allows us realize the full market potential."



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