

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 28, 2024
OR

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

For the transition period from _____ to _____

Commission file number 1-09929

INSTEEL INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-0674867
(I.R.S. Employer
Identification No.)

1373 Boggs Drive, Mount Airy, North Carolina 27030
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (336) 786-2141

Securities registered subject to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock (No Par Value)	IIIN	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer ☒
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of March 30, 2024 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the common stock held by non-affiliates of the registrant was \$576,249,070 based upon the closing sale price as reported on the New York Stock Exchange. As of October 22, 2024, there were 19,452,173 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's proxy statement to be delivered to shareholders in connection with the 2025 Annual Meeting of Shareholders are incorporated by reference as set forth in Part III hereof.

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements	3
PART I	
Item 1. Business	4
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments	11
Item 1C. Cybersecurity	12
Item 2. Properties	12
Item 3. Legal Proceedings	12
Item 4. Mine Safety Disclosures	13
Information About Our Executive Officers	13
PART II	
Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	13
Item 6. Reserved	14
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	20
Item 8. Financial Statements and Supplementary Data	21
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	45
Item 9A. Controls and Procedures	45
Item 9B. Other Information	47
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	47
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	47
Item 11. Executive Compensation	47
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	47
Item 13. Certain Relationships and Related Transactions, and Director Independence	47
Item 14. Principal Accounting Fees and Services	47
PART IV	
Item 15. Exhibits, Financial Statement Schedules	47
Item 16. Form 10-K Summary	48
SIGNATURES	51

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, particularly in the “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this report. When used in this report, the words “believes,” “anticipates,” “expects,” “estimates,” “appears,” “plans,” “intends,” “may,” “should,” “could,” “outlook,” “continues,” “remains” and similar expressions are intended to identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, they are subject to a number of risks and uncertainties and involve certain assumptions. Actual results may differ materially from those expressed in forward-looking statements, and we can provide no assurances that such plans, intentions or expectations will be implemented or achieved. Many of these risks and uncertainties are discussed in the “Risk Factors” section of this report and are updated from time to time in our filings with the United States (“U.S.”) Securities and Exchange Commission (“SEC”).

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. All forward-looking statements speak only to the respective dates on which such statements are made, and we do not undertake any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as may be required by law.

It is not possible to anticipate and list all risks and uncertainties that may affect our business, future operations or financial performance; however, they include, but are not limited to, the following:

- general economic and competitive conditions in the markets in which we operate;
- changes in the spending levels for nonresidential and residential construction and the impact on demand for our products;
- changes in the amount and duration of transportation funding provided by federal, state and local governments and the impact on spending for infrastructure construction and demand for our products;
- the cyclical nature of the steel and building material industries;
- credit market conditions and the relative availability of financing for us, our customers and the construction industry as a whole;
- the impact of rising interest rates on the cost of financing for our customers;
- fluctuations in the cost and availability of our primary raw material, hot-rolled carbon steel wire rod, from domestic and foreign suppliers;
- competitive pricing pressures and our ability to raise selling prices in order to recover increases in raw material or operating costs;
- changes in U.S. or foreign trade policy affecting imports or exports of steel wire rod or our products;
- unanticipated changes in customer demand, order patterns and inventory levels;
- the impact of fluctuations in demand and capacity utilization levels on our unit manufacturing costs;
- our ability to further develop the market for engineered structural mesh (“ESM”) and expand our shipments of ESM;
- legal, environmental, economic or regulatory developments that significantly impact our business or operating costs;
- unanticipated plant outages, equipment failures or labor difficulties;
- the impact of cybersecurity breaches and data leaks; and
- the risks and uncertainties discussed herein under “Item 1A. Risk Factors” in this Form 10-K.

PART I

Item 1. Business

General

Insteel Industries Inc. (“we,” “us,” “our,” “the Company” or “Insteel”) is the nation’s largest manufacturer of steel wire reinforcing products for concrete construction applications. We manufacture and market prestressed concrete strand (“PC strand”) and welded wire reinforcement (“WWR”), including ESM, concrete pipe reinforcement (“CPR”) and standard welded wire reinforcement (“SWWR”). Our products are sold mainly to manufacturers of concrete products that are used primarily in nonresidential construction. For fiscal 2024, we estimate that approximately 85% of our sales were related to nonresidential construction and 15% were related to residential construction.

Insteel is the parent holding company for two wholly-owned subsidiaries, Insteel Wire Products Company (“IWP”), an operating subsidiary, and Intercontinental Metals Corporation, an inactive subsidiary. We were incorporated in 1958 in the State of North Carolina.

Our business strategy is focused on: (1) achieving leadership positions in our markets; (2) operating as the lowest cost producer in our industry; and (3) pursuing growth opportunities within our core businesses that further our penetration of the markets we currently serve or expand our footprint. Headquartered in Mount Airy, North Carolina, we operate ten manufacturing facilities that are all located in the U.S. in close proximity to our customers and raw material suppliers. Our growth strategy is focused on organic opportunities as well as strategic acquisitions in existing or related markets that leverage our infrastructure and core competencies in the manufacture and marketing of concrete reinforcing products.

On October 21, 2024, the Company, through its wholly-owned subsidiary, IWP, entered into an Asset Purchase Agreement pursuant to which it has acquired substantially all of the assets, other than cash and accounts receivable, of Engineered Wire Products, Inc. (“EWP”), a leading manufacturer of welded wire reinforcement products for use in nonresidential and residential construction, and certain related assets of Liberty Steel Georgetown Inc. (“LSG”), for a purchase price of approximately \$70.0 million, subject to certain adjustments (the “Acquisition”). Among other assets the Company acquired EWP’s inventories and production equipment and EWP’s Upper Sandusky, Ohio and Warren, Ohio production facilities. The Company also acquired certain equipment of LSG located in Georgetown, South Carolina, but such Georgetown facility was otherwise excluded from the Acquisition.

Products

Our operations are entirely focused on the manufacture and marketing of steel wire reinforcing products for concrete construction applications. Our concrete reinforcing products consist of two product lines: PC strand and WWR. Based on the criteria specified in Financial Accounting Standards Board Accounting Standards Codification Topic 280, Segment Reporting, we have one reportable segment.

PC strand is a high strength, seven-wire strand that is used to impart compression forces into precast concrete elements and structures, which may be either pretensioned or posttensioned, providing reinforcement for bridges, parking decks, buildings and other concrete structures. Its high tensile strength allows for the casting of longer spans and thinner sections. Pretensioned or “prestressed” concrete elements or structures are primarily used in nonresidential construction while posttensioned concrete elements or structures are used in both nonresidential and residential construction.

WWR is produced as either a standard or a specially engineered reinforcing product for use in nonresidential and residential construction. We produce a full range of WWR products, including ESM, CPR and SWWR. ESM is an engineered made-to-order product that is used as the primary reinforcement for concrete elements or structures, frequently serving as a lower cost reinforcing solution than hot-rolled rebar. CPR is an engineered made-to-order product that is used as the primary reinforcement in concrete pipe, box culverts and precast manholes for drainage and sewage systems, water treatment facilities and other related applications. SWWR is a secondary reinforcing product that is produced in standard styles for crack control applications in residential and light nonresidential construction, including driveways, sidewalks and various slab-on-grade applications.

See Note 15 for the disaggregation of our net sales by product line and geography.

Marketing and Distribution

We market our products through sales representatives who are our employees. Our outside sales representatives are trained on the technical applications for our products and sell multiple product lines in their respective territories. We sell our products nationwide across the U.S. and, to a much lesser extent, into Canada, Mexico and Central and South America. Our products are shipped primarily by truck, using common or contract carriers. The delivery method selected is determined based on backhaul opportunities, comparative costs and customer service requirements.

Customers

We sell our products to a broad range of customers that includes manufacturers of concrete products, and to a lesser extent, distributors, rebar fabricators and contractors. In fiscal 2024, we estimate that approximately 70% of our net sales were to manufacturers of concrete products and 30% were to distributors, rebar fabricators and contractors. In many cases, we are unable to identify the specific end use for our products as most of our customers sell products that are used for both nonresidential and residential construction, and the same products can be used for different end uses. We did not have any single customers that represented 10% or more of our net sales in fiscal years 2024, 2023 or 2022. The loss of a single customer or a few customers would not have a material adverse impact on our business.

Backlog

Backlog for our business is minimal due to the relatively short lead times that are required by our customers. We believe that the majority of our firm orders as of the end of fiscal 2024 will be shipped during the first quarter of fiscal 2025.

Seasonality and Cyclical

Demand in our markets is both seasonal and cyclical, driven by the level of construction activity, but can also be impacted by fluctuations in the inventory positions of our customers. Shipments are seasonal, typically reaching their highest level when weather conditions are the most conducive to construction activity. As a result, assuming normal seasonal weather patterns, shipments and profitability are usually higher in the third and fourth quarters of the fiscal year and lower in the first and second quarters. Construction activity and demand for our products is cyclical based on overall economic conditions, although there can be significant differences between the relative strength of nonresidential and residential construction for extended periods.

Raw Materials

The primary raw material used to manufacture our products is hot-rolled carbon steel wire rod, which we purchase from both domestic and foreign suppliers and can generally be characterized as a commodity product. We purchase several different grades and sizes of wire rod with varying specifications based on the diameter, chemistry, mechanical properties and metallurgical characteristics that are required for our products. High-carbon grades of wire rod are required for the production of PC strand while low-carbon grades are used to manufacture WWR.

Wire rod prices tend to fluctuate based on changes in scrap and other metallic prices for steel producers together with domestic and global market conditions. In most economic environments, domestic demand for wire rod exceeds domestic production capacity, and imports of wire rod are necessary to satisfy the supply requirements of the U.S. market. U.S. government trade policies and trade actions by domestic wire rod producers can significantly impact the pricing and availability of imported wire rod, which during fiscal years 2024 and 2023 represented approximately 15% and 14%, respectively, of our total wire rod purchases. We believe that our substantial wire rod requirements, desirable mix of sizes and grades and strong financial condition represent a competitive advantage by making us a relatively more attractive customer to our suppliers.

Our ability to source wire rod from overseas suppliers is limited by domestic content requirements, generally referred to as “Buy America” or “Buy American” laws, that exist at both the federal and state levels. These laws generally prescribe a domestic “melt and cast” standard for purposes of compliance. Customers purchasing PC strand and WWR for certain applications require the Company to certify compliance with such laws.

Selling prices for our products tend to be correlated with changes in wire rod prices. However, the timing and magnitude of the relative price changes varies depending upon market conditions and competitive factors. Ultimately, the relative supply - demand balance in our markets and competitive dynamics determine whether our margins expand or contract during periods of rising or falling wire rod prices.

Competition

We are the nation’s largest manufacturer of steel wire reinforcing products for concrete construction applications. Our markets are highly competitive based on price, quality and service. Some of our competitors, such as Nucor Corporation, Liberty Steel USA (“Liberty”) and Oklahoma Steel and Wire, are vertically integrated companies that produce both wire rod and concrete reinforcing products and offer multiple product lines over broad geographic areas. Other competitors are smaller independent companies that offer limited competition in certain markets. Our primary competitors for WWR products are Wire Mesh Corporation, Concrete Reinforcements, Inc., National Wire Products, Davis Wire Corporation, Oklahoma Steel & Wire Co., Inc. and, prior to our acquisition of substantially all of its assets in October of 2024 (see Note 19 of our consolidated financial statements), EWP (a then-subsubsidiary of Liberty). Our primary competitors for PC strand are Sumiden Wire Products Corporation and Wire Mesh Corporation. Import competition is also a significant factor in certain segments of the PC strand and SWWR markets that are not subject to “Buy America” requirements.

In response to illegally traded import competition from offshore PC strand suppliers, we have pursued antidumping and countervailing duty trade cases. In 2003, we joined together with a coalition of domestic PC strand producers and filed petitions with the U.S. Department of Commerce (the “DOC”) alleging that imports of PC strand from Brazil, India, Korea, Mexico and Thailand were being “dumped” or sold in the U.S. at a price that was lower than fair value and had injured the domestic PC strand industry. The DOC ruled in our favor and imposed anti-dumping duties ranging from 12% up to 119%, which had the effect of limiting the participation of these countries in the domestic market. In 2010, we joined together with a coalition of domestic PC strand producers and filed petitions with the DOC alleging that imports of PC strand from China were being “dumped” or sold in the U.S. at a price that was lower than fair value and that subsidies were being provided to Chinese PC strand producers by the Chinese government, both of which had injured the domestic PC strand industry. The DOC ruled in our favor and imposed final countervailing duty margins ranging from 9% to 46% and anti-dumping margins ranging from 43% to 194%, which had the effect of limiting the continued participation of Chinese producers in the domestic market. In 2020, we joined two other domestic PC strand producers and filed anti-dumping petitions against Argentina, Columbia, Egypt, Indonesia, Italy, Malaysia, Netherlands, Saudi Arabia, South Africa, Spain, Taiwan, Tunisia, Turkey, Ukraine and the United Arab Emirates. In January 2021, with respect to eight countries, and in April 2021, with respect to seven countries, the DOC ruled in our favor and imposed anti-dumping duties ranging from 4% to 194%, which had the effect of limiting the participation of these countries in the domestic market. Additionally, in 2020, we and four other domestic producers of SWWR filed anti-dumping petitions against Mexico following its violation of US trade laws. In July 2021, the DOC ruled in our favor and imposed final countervailing duty margins ranging from 23% to 110%, which had the effect of limiting the continued participation of Mexican producers in the domestic market.

Quality and service expectations of customers have risen substantially over the years and are key factors that impact their selection of suppliers. Technology has become a critical competitive factor from the standpoint of manufacturing costs, quality and customer service capabilities. In view of our strong market positions, broad product offering and national footprint, technologically advanced manufacturing facilities, low-cost production capabilities, sophisticated information systems and financial strength and flexibility, we believe that we are well-positioned to compete favorably with other producers of our concrete reinforcing products.

Human Capital

We believe our employees are a key factor in the long-term success of the company. We seek to maintain a trusting and participative work environment throughout the organization, adhering to the highest standards of ethics, professionalism and excellence. Our human capital strategy is centered around four key pillars: Safe Operations, Performance-Based Compensation, Equal Opportunity and Hiring and Retention.

As of September 28, 2024, we had 929 employees, all of which are located in the United States and none of which were represented by labor unions. In the event of production disruptions, we believe that our contingency plans would enable us to continue serving our customers, although there can be no assurances that a work slowdown or stoppage would not adversely impact our operating costs and financial results.

Safe Operations

The safety of our people is of paramount importance. Our employees are extensively trained in a formal process of risk assessment, risk reduction and hazard elimination and empowered with the authority to stop equipment or tasks until work can be safely accomplished. “Safe Operations with Zero Harm,” our internal safety philosophy, is a key part of our ongoing employee training and operations. Zero Harm is identifying and managing risk to avoid injuries, illness or other negative impacts experienced by employees, the community, customers, property, the environment and shareholders. We monitor our safety performance through a key range of leading and lagging measures of safety.

Leading Indicator Measures:	Lagging Indicator Measures:
• Hazard management process training • Leadership engagement • Employee involvement	• Rolling 12-month Incident Recordable Rate • Lost Time Rate • Severity Rate – Days Away, Restricted, and Transferred (DART)

Performance-Based Compensation

Our performance-based compensation system incentivizes our workforce and reinforces our culture. Insteel employees typically earn a significant part of their compensation based on productivity. Our production and skilled trades team members have the opportunity to earn pay increases through our “Pay for Skills” program and share in productivity pay through our “Team Share” incentive program. Our salaried team members also have a compensation structure that rewards individual performance in addition to company performance. The Team Share incentive program is driven by variables that are controllable at the plant level.

Equal Opportunity

Our business depends on talented individuals who bring diverse skills, experiences and backgrounds. We believe in a collaborative workplace that is based on the fundamentals of dignity, respect, equality and opportunity for all. At Insteel, we believe demonstrating respect for our people and valuing their perspectives and contributions is critical to cultivating our best and most productive working environment.

Hiring and Retention

Our performance relies on people who are developed and empowered to achieve results. We are improving the future of our company by identifying, developing and retaining talent that reflects our corporate philosophy. Our performance and succession development process includes all employees. We have many team members in key leadership roles who started in entry-level roles and have grown in their careers by partnering with us in their development plans.

Our goal is to create a positive and engaging work environment that meets evolving employee needs in areas such as flexible work schedules beyond the traditional full-time work schedule, which allows us to attract a broader candidate pool. In addition, we are involved in many outreach programs in our communities to provide opportunities to diverse talent sources that may otherwise be overlooked or face barriers to equal opportunity.

Product Warranties

Our products are used in applications that are subject to inherent risks, including performance deficiencies, personal injury, property damage, environmental contamination or loss of production. We warrant our products to meet certain specifications. Although actual or claimed deficiencies from these specifications may give rise to claims, we do not maintain a reserve for warranties as the historical claims have been immaterial. We maintain product liability insurance coverage to minimize our exposure to such risks.

Governmental Regulation and Environmental Matters

We are subject to federal, state and local laws and regulations in the United States that could affect our business, including regulations relating to generating emissions, water discharges, waste and workplace safety. We believe that we are in compliance in all material respects with applicable environmental laws and regulations. We have experienced no material difficulties in complying with legislative or regulatory standards and believe that these standards have not materially impacted our financial position or results of operations. However, laws and regulations may be changed, accelerated or adopted that impose significant operational restrictions and compliance requirements on us and which could negatively impact our operating results. See “Item 1A. Risk Factors”. We do not expect to incur material capital expenditures for environmental control facilities during fiscal 2025.

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports are available at no cost on our website at <https://investor.insteel.com> and the SEC’s website at www.sec.gov as soon as reasonably practicable after we file these reports with the SEC. The information available on our website and the SEC’s website is not incorporated into this report or any of our filings with the SEC.

Item 1A. Risk Factors

An investment in our common stock involves risks and uncertainties. You should carefully consider the following risk factors, in addition to the other information contained in this annual report on Form 10-K, before deciding whether an investment in our common stock is suitable for you. The risk factors described below are not the only ones we face. There may be other risks and uncertainties that are currently unknown to us or that we currently consider to be immaterial that could adversely affect our business, results of operations, financial condition and cash flows.

Industry Specific Risks

Our business is cyclical and can be negatively impacted by prolonged economic downturns, rising interest rates or tightening in the financial markets that reduce the level of construction activity and demand for our products.

Demand for our products is cyclical in nature and sensitive to changes in the economy and in the financial markets. Our products are sold primarily to manufacturers of concrete products that are used for a broad range of nonresidential and residential construction applications. Demand for our products is driven by the level of construction activity, which tends to be correlated with conditions in the overall economy as well as other factors beyond our control. Rising interest rates or tightening in the financial markets could adversely impact demand for our products by increasing the cost of financing or reducing the availability of financing to our customers and the construction industry as a whole. Future prolonged periods of economic weakness, high interest rates or reduced availability of financing could have a material adverse impact on our business, results of operations, financial condition and cash flows.

Our business can be negatively impacted by reductions in the amount and duration of government funding for infrastructure projects that reduce the level of construction activity and demand for our products.

Certain of our products are used in the construction of highways, bridges and other infrastructure projects that are funded by federal, state and local governments. Reductions in the amount of funding for such projects or the period for which it is provided, including as a result of budget uncertainty, the potential for U.S. government shutdowns, the use of continuing resolutions and the federal debt ceiling, could have a material adverse impact on our business, results of operations, financial condition and cash flows.

Foreign competition could adversely impact our financial results.

Certain of our PC strand and SWWR markets are subject to foreign import competition on an ongoing basis. If we are unable to purchase raw materials and achieve manufacturing costs that are competitive with those of foreign producers, or if the margin and return requirements of foreign producers are substantially lower, our market share and profit margins could be negatively impacted. In response to illegally traded import competition from offshore PC strand and SWWR suppliers, we have pursued trade cases with the objective of addressing illegal activities in our markets. Such actions may be costly and may not be successful. Trade law enforcement is critical to our ability to maintain our competitive position against foreign PC strand and SWWR producers that engage in unlawful trade practices.

Our financial results can be negatively impacted by the volatility in the cost and availability of our primary raw material, hot-rolled carbon steel wire rod.

The primary raw material used to manufacture our products is hot-rolled carbon steel wire rod, which we purchase from both domestic and foreign suppliers. If any key supplier that we rely on for hot-rolled carbon steel wire rod ceases or limits production, we may incur significant additional costs in order to find alternative, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources, which could result in our failure to timely deliver products to our customers. We do not use derivative commodity instruments to hedge our exposure to changes in the price of wire rod as such instruments are currently unavailable in the financial markets. Prices for wire rod have become increasingly volatile in recent years driven by the higher degree of variability in raw material costs for rod producers, changes in trade policy and the fluctuation of domestic supply. In response, wire rod producers have resorted to increasing the frequency of price adjustments, typically on a monthly basis, as well as unilaterally changing the terms of prior commitments.

Although changes in our wire rod costs and selling prices tend to be correlated, we may be unable to fully recover increased rod costs during weaker market environments, which would reduce our earnings and cash flows. Additionally, when raw material costs decline, our financial results would be negatively impacted if the selling prices for our products decrease to an even greater extent and if we are consuming higher cost material from inventory.

Our financial results can also be significantly impacted if raw material supplies are inadequate to satisfy our purchasing requirements. For example, U.S. government trade policies and trade actions by domestic wire rod producers against other countries can significantly impact the availability and cost of imported wire rod. The imposition of tariffs, quotas or anti-dumping or countervailing duty margins by the U.S. government, including those implemented following the change in administration after the 2024 U.S. presidential election, against exporting countries can have the effect of reducing or eliminating their competitiveness and participation in the domestic market. If we were unable to obtain adequate and timely delivery of our raw material requirements, we may be unable to manufacture sufficient quantities of our products or operate our manufacturing facilities in an efficient manner, which could result in lost sales and higher operating costs. Because tight market conditions typically affect the entire industry, during past periods of short raw material supply, margins and profitability have been favorably impacted due to curtailed availability of PC strand and WWR that supported higher average selling prices. However, there is no assurance that future short supply conditions in raw material markets would result in similar outcomes.

Demand for our products is highly variable and difficult to forecast due to our minimal backlog and unanticipated changes that can occur in customer order patterns or inventory levels.

Demand for our products is highly variable. The short lead times for customer orders and minimal backlog that characterize our business make it difficult to forecast the future level of demand for our products. In some cases, unanticipated softening in demand can be exacerbated by inventory rebalancing measures pursued by our customers, which may cause significant fluctuations in our sales, profitability and cash flows.

Operational Risks

Our manufacturing facilities are subject to unexpected equipment failures, operational interruptions and casualty losses.

Our manufacturing facilities are subject to risks that may limit our ability to manufacture and sell our products, including unexpected equipment failures, operational interruptions and catastrophic losses due to other unanticipated events such as fires, explosions, accidents, pandemics, epidemics, adverse weather conditions and transportation interruptions. Any such equipment failures or events can subject us to plant shutdowns and periods of reduced production or unexpected downtime. Furthermore, the resolution of certain operational interruptions may require significant capital expenditures. Although our insurance coverage could offset the losses or expenditures relating to some of these events, our results of operations and cash flows would be negatively impacted to the extent that such claims were not covered or only partially covered by our insurance.

Our financial results could be adversely impacted by the escalation of our operating costs.

Consistent with the experience of other employers, our labor, medical and workers' compensation costs have increased substantially in recent years and are expected to continue to rise. If this trend continues, the cost of labor and to provide healthcare and other benefits to our employees could increase, adversely impacting profitability. Labor market shortages continue to impact the availability and competition for qualified workers, which has increased costs associated with attracting and retaining employees. We cannot be certain that we will be able to maintain an adequately skilled labor force necessary to operate efficiently or that our labor costs will not increase as a result of a shortage in the availability of skilled employees. Additionally, employee turnover could result in lost time due to inefficiencies and the need for additional training, which could impact our operating results. Changes to healthcare regulations may also increase the cost of providing such benefits to our employees. We cannot predict the ultimate content, timing, or effect of any healthcare reform legislation or the impact of potential legislation or related proposals and policies on our results. Any significant increases in the costs attributable to our self-insured health and workers' compensation plans could adversely impact our business, results of operations, financial condition and cash flows.

In addition, increasing transaction prices, as a result of general inflation or otherwise, for freight, natural gas, electricity, fuel and consumables would adversely affect our manufacturing and distribution costs. For most of our business, we incur the transportation costs associated with the delivery of products to our customers. Although we have previously implemented numerous measures to offset the impact of increases in these costs, there can be no assurance that such actions will be effective. If we are unable to pass these additional costs through by raising our selling prices, our financial results could be adversely impacted.

Our business, financial condition and results of operations may be adversely impacted by the effects of inflation.

Rising inflation has increased, and may continue to increase, the costs of labor, energy, operating supplies and raw materials. If we are unable to pass these increases in costs to our customers it could adversely affect our business, financial condition and results of operations by increasing our overall cost structure. Additionally, our ability to recover the cost increases through price increases may lag our cost increases, which could negatively impact our margins.

Our business and operations are subject to risks related to climate change.

The long-term effects of global climate change could present both physical risks and transition risks (such as regulatory or technology changes), which are expected to be widespread and unpredictable. These changes could over time affect, for example, the availability and cost of raw materials, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business at the quantities and levels we require. Additionally, we have facilities located in areas that may be impacted by the physical risks of climate change, and we face the risk of losses incurred as a result of physical damage to our facilities and inventory as well as business interruption caused by such events. Furthermore, production and shipment levels for our business correlate with construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather patterns, seasonal changes, and other unusual or unexpected weather-related conditions, all of which may be impacted by weather patterns. Periods of extended inclement weather or associated flooding may inhibit construction activity utilizing our products and delay shipments of our products to customers, which can significantly affect our business, financial condition and results of operations.

We also use natural gas, diesel fuel, gasoline and electricity in our operations, all of which could face increased regulation as a result of climate change or other environmental concerns. Additionally, we may face increased costs to respond to future water laws and regulations, and operations in areas with limited water availability may be impacted if droughts become more frequent or severe. Any such events could have a material adverse effect on our costs or results of operations.

Financing Risks

Our operations are subject to seasonal fluctuations that may impact our cash flows.

Our shipments are typically lower in the first and second fiscal quarters due to the unfavorable impact of winter weather on construction activity during these periods and customer plant shutdowns associated with holidays. As a result, our cash flows have fluctuated and may continue to fluctuate from quarter to quarter due to these seasonal factors, which could have a negative impact on our financial condition and results of operations.

Our capital resources may not be adequate to provide for our capital investment and maintenance expenditures if we were to experience a substantial downturn in our financial performance.

Our operations are capital intensive and require substantial recurring expenditures for the routine maintenance of our equipment and facilities. Although we expect to finance our business requirements through internally generated funds or from borrowings under our \$100 million revolving credit facility, we cannot provide any assurances these resources will be sufficient to support our business. A material adverse change in our operations or financial condition could limit our ability to borrow funds under our credit facility, which could further adversely impact our liquidity and financial condition. Any significant future acquisitions could require additional financing from external sources that may not be available on favorable terms, which could adversely impact our growth, operations, financial condition and results of operations.

Legal and Regulatory Risks

Changes in environmental compliance and remediation requirements could result in substantial increases in our capital investments and operating costs.

Our business is subject to numerous federal, state and local laws and regulations pertaining to the protection of the environment that could require substantial increases in capital investments and operating costs. These laws and regulations, which are constantly evolving, are becoming increasingly stringent, and the ultimate impact of compliance is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated or are undergoing revision. Legislation and increased regulation regarding climate change, including mandatory reductions in energy consumption or emissions of greenhouse gases, could impose significant costs on us, including costs related to energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations.

General Risks

Our stock price can be volatile, often in connection with matters beyond our control.

Equity markets in the U.S. have been increasingly volatile in recent years. During fiscal 2024, our common stock traded as high as \$39.38 and as low as \$26.87. There are numerous factors that could cause the price of our common stock to fluctuate significantly, including: variations in our financial results; changes in our business outlook and expectations for the construction industry; changes in market valuations of companies in our industry; and announcements by us, our competitors or industry participants that may be perceived to impact our financial results. Many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our business, financial condition or results of operations.

We are increasingly dependent on information technology systems that are susceptible to certain risks, including cybersecurity breaches and data leaks, which could adversely impact our business.

Our increasing reliance on technology systems and infrastructure, some of which are managed by third parties, heightens our potential vulnerability to system failure and malfunction, breakdowns due to natural disasters, human error, unauthorized access, power loss and other unforeseen events. Data privacy breaches by employees and others with or without authorized access to our systems pose risks that sensitive data may be permanently lost or leaked to the public or other unauthorized persons. With the growing use and rapid evolution of technology, not limited to cloud-based computing and mobile devices, there are additional risks of unintentional data leaks. There is also the risk of theft of confidential information, intentional vandalism, industrial espionage and a variety of cyber-attacks that could compromise our internal technology system and infrastructure or result in data leaks in-house or at our third-party providers and business partners.

We have invested and continue to invest in risk management and information security and data privacy measures in order to protect our systems and data, including employee training, organizational investments, incident response plans, tabletop exercises and technical defenses. The cost and operational consequences of implementing, maintaining, and enhancing further data or system safeguards could increase significantly to keep pace with increasingly frequent, complex, and sophisticated global cyber threats. While we believe that we have taken reasonable steps to protect the Company from cybersecurity risks and security breaches, there can be no assurance that such events will not occur or that our security protocols and procedures will be adequate to prevent significant damage, system failure or data loss. The same is true for our partners, suppliers, vendors and other third parties on whom we rely. Failures of technology or related systems, cybersecurity incidents, or improper release of confidential information, could adversely impact our business or subject us to unexpected liabilities, expenditures and recovery time. Additionally, an unauthorized disclosure or use of information could cause interruptions in our operations and might require us to spend significant management time and other resources investigating the event and dealing with local and federal law enforcement. Regardless of the merits and ultimate outcome of these matters, we may be required to devote time and expense to their resolution.

In addition, the increase in the number and the scope of data privacy breaches has increased regulatory and industry focus on cybersecurity requirements and heightened data privacy industry practices. New regulation, evolving industry standards, and the interpretation of both, may cause us to incur additional expense in complying with any new data privacy requirements. We could also become the subject of regulatory action or litigation from our customers, employees, suppliers, service providers, and shareholders, which could damage our reputation, require significant expenditures of capital and other resources, and cause us to lose business. As a result, the failure to maintain the integrity of and protect customer or supplier data or our confidential internal data could have a material adverse effect on our business, operating results and financial condition.

Our financial results could be adversely impacted by the impairment of goodwill.

Our balance sheet includes intangible assets, including goodwill and other separately identifiable assets related to prior acquisitions, and we may acquire additional intangible assets in connection with future acquisitions. We are required to review goodwill for impairment on an annual basis or more frequently if certain indicators of permanent impairment arise such as, among other things, a decline in our stock price and market capitalization or a reduction in our projected operating results and cash flows. If our review indicates that goodwill has been impaired, the impaired portion would have to be written-off during that period which could adversely impact our business and financial results.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Risk Management and Strategy

As a component of and integrated into our overall risk management strategy and system, we maintain a cybersecurity risk management program designed to assess, identify, manage and protect our information systems and data from unauthorized access, use, disclosure, disruption, modification or destruction. Our program is based on applicable industry frameworks and standards, including those provided by the National Institute of Standards and Technology, and is comprised of core functions to identify, protect, detect, respond to and recover from cybersecurity threats and events. We constantly monitor cybersecurity threats and test the performance and effectiveness of our cybersecurity program, with the assistance of third-party experts, on an annual and ongoing basis. We recognize the risks associated with the use of vendors, service providers and other third parties that provide information system services to us, process information on our behalf, or have access to our information systems, and the Company has processes in place to oversee and manage these risks. We conduct thorough security assessments of these third-party engagements and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. This monitoring includes both annual and ongoing assessments.

As described in “Item 1A. Risk Factors” in this Form 10-K, we are subject to risks from cybersecurity threats that could have a material adverse impact on our business and financial results. As of the date of this report, no risks from cybersecurity threats have materially affected or are reasonably likely to materially affect our business, results of operations, financial condition and cash flows.

Governance

Our Information Services Department manages our cybersecurity risk management program which is overseen by the Vice President of Information Services. The Vice President of Information Services has a master’s degree in business administration with a focus on technology and has decades of professional experience in cybersecurity threat assessments and detection, applicable technologies, incident response and employee training. Our Information Services Department includes a team of experienced professionals who have developed an Incident Response Policy that is regularly reviewed and updated. The Incident Response Policy establishes the required steps to assess, respond to and limit the impact of an incident, details tactical and strategic team membership and points of contact related to the response process and provides for escalating notifications to senior executives, including the Chairman of the Board and Chief Executive Officer depending on the severity of the threat.

The Board of Directors, having ultimate oversight of the company’s cybersecurity risk, receives annual and periodic updates on the cybersecurity program, including those related to material risks and incidents, from the Vice President of Information Services and participates in discussions regarding cybersecurity risks. Cybersecurity information provided to the Board comprises a broad range of topics including, but not limited to, emerging cybersecurity threats, ongoing cybersecurity initiatives, incident reports and compliance with regulatory requirements, industry standards and relevant benchmarking. In addition to Board oversight, we provide mandatory quarterly employee training on how to identify, assess and manage risks from cybersecurity threats.

Item 2. Properties.

Our corporate headquarters and IWP’s sales and administrative offices are located in Mount Airy, North Carolina. As of September 28, 2024, we operated ten manufacturing facilities located in Dayton, Texas; Gallatin, Tennessee; Hazleton, Pennsylvania; Hickman, Kentucky; Houston, Texas; Jacksonville, Florida; Kingman, Arizona; Mount Airy, North Carolina; Sanderson, Florida; and St. Joseph, Missouri.

We own all of our real estate. We believe that our properties are in good operating condition and that our machinery and equipment have been well maintained. We also believe that our manufacturing facilities are suitable for their intended purposes and have capacities adequate to satisfy the current and projected demand for our products.

Item 3. Legal Proceedings.

We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. We do not anticipate that the ultimate cost to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

Information About Our Executive Officers

Our executive officers are as follows:

Name	Age	Position
H. O. Woltz III	68	President, Chief Executive Officer and Chairman of the Board
Scot R. Jafroodi	55	Vice President, Chief Financial Officer and Treasurer
Elizabeth C. Southern	43	Vice President Administration, Secretary and Chief Legal Officer
Richard T. Wagner	65	Senior Vice President and Chief Operating Officer
James R. York	66	Senior Vice President, Sourcing and Logistics

H. O. Woltz III, 68, has served as Chief Executive Officer since 1991, as President since 1989 and has been employed by us and our subsidiaries in various capacities since 1978. He was named President and Chief Operating Officer in 1989. He served as our Vice President from 1988 to 1989 and as President of Rappahannock Wire Company, formerly a subsidiary of our Company, from 1981 to 1989. Mr. Woltz has been a Director since 1986 and also serves as President of Insteel Wire Products Company. Mr. Woltz served as President of Florida Wire and Cable, Inc., formerly a subsidiary of our Company, until its merger with Insteel Wire Products Company in 2002. Mr. Woltz has served as Chairman of the Board since 2009.

Scot R. Jafroodi, 55, has served as Vice President, Chief Financial Officer and Treasurer since January 2023. Prior to 2023, he served as Vice President, Corporate Controller and Chief Accounting Officer from October 2020. He previously held the role of Corporate Controller and Chief Accounting Officer from February 2007 to October 2020 and Corporate Controller from July 2005 to February 2007. Before joining us, he was a Senior Manager at BDO Seidman, LLP from June 2003 through June 2005 and, prior to that, had been employed for ten years at Deloitte & Touche USA, LLP, most recently as a Senior Manager.

Elizabeth C. Southern, 43, has served as Vice President Administration, Secretary and Chief Legal Officer since June 2023. From 2011 to 2023, she served in various senior management roles with Hanesbrands Inc., a publicly-held apparel company, including Deputy General Counsel and Assistant Secretary and Vice President, Human Resources. Prior to that, Ms. Southern was an associate attorney at Womble Bond Dickinson (US) LLP.

Richard T. Wagner, 65, has served as Senior Vice President, Chief Operating Officer since October 2020 and as Vice President and General Manager of the Concrete Reinforcing Products Business Unit of our subsidiary, Insteel Wire Products Company, since 1998. He joined us in 1992 serving in various other management roles. From 1977 until 1992, Mr. Wagner served in various positions with Florida Wire and Cable, Inc., a manufacturer of PC strand and galvanized strand products, which was later acquired by us in 2000.

James R. York, 66, has served as Senior Vice President, Sourcing and Logistics since October 2020, and as Vice President, Sourcing and Logistics since joining us in 2018. Prior to Insteel, he served in various senior management roles with Leggett & Platt, a publicly-held manufacturer of diversified engineered products, from 2002 to 2018, including Group President-Rod and Wire Products, Unit President-Wire Products and Unit President-Specialty Products. Mr. York served in a range of leadership positions at Bekaert Corporation, a U.S. subsidiary of N.V. Bekaert A.S. of Belgium, from 1983 to 2002.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "IINN" and has traded on the NYSE since March 17, 2021. As of October 22, 2024, there were 427 shareholders of record.

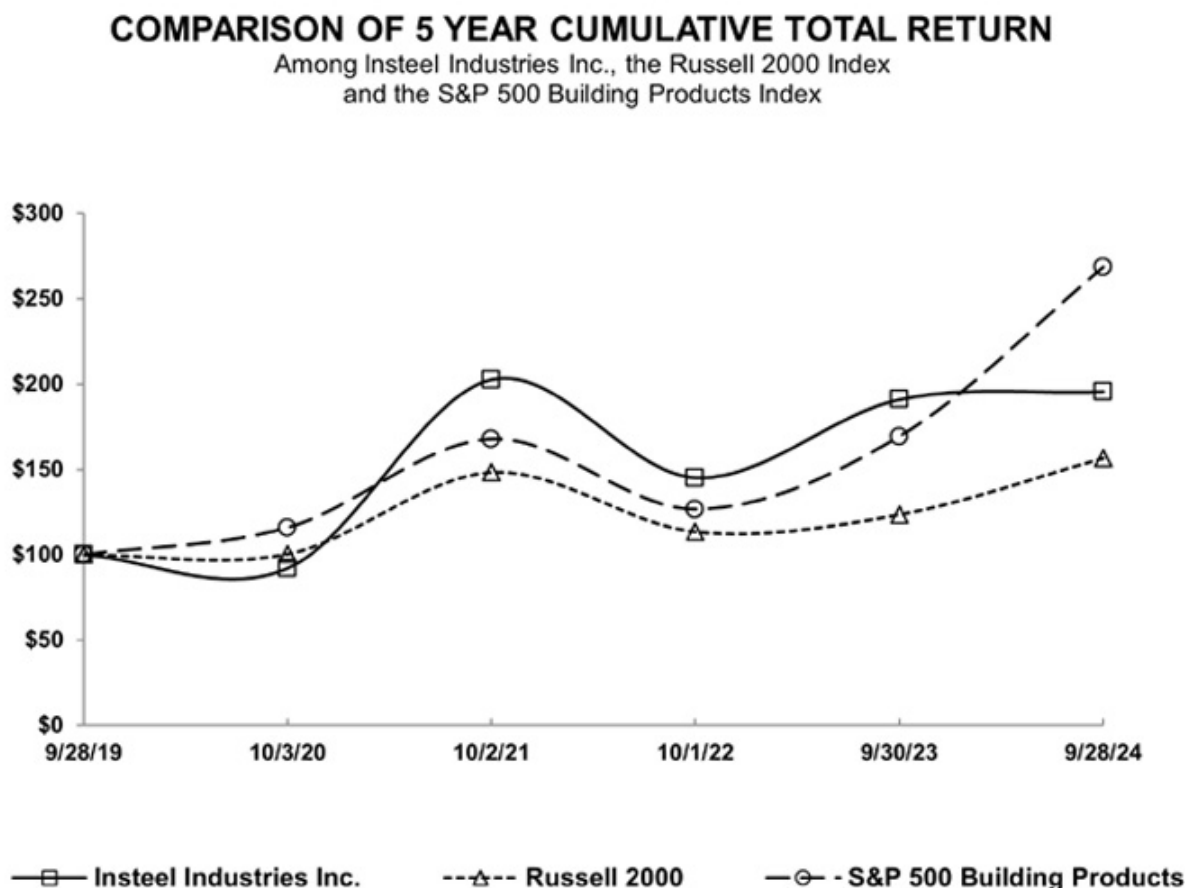
We pay regular quarterly cash dividends and expect to continue to pay regular quarterly cash dividends in the foreseeable future, though each quarterly dividend payment is subject to review and approval by our Board of Directors. On November 14, 2023, our Board of Directors approved a special cash dividend of \$2.50 per share that was paid on December 22, 2023 to shareholders of record as of December 8, 2023.

Issuer Purchases of Equity Securities

There were no repurchases of common stock during the quarter ended September 28, 2024. Additional information regarding our share repurchase authorization is discussed in Note 18 to our consolidated financial statements and incorporated herein by reference.

Stock Performance Graph

The graph below compares the cumulative total shareholder return on our common stock with the cumulative total return of the Russell 2000 Index and the S&P 500 Building Products Index for the five years ended September 28, 2024. The graph and table assume that \$100 was invested on September 28, 2019 in our common stock and in each of the two indices and the reinvestment of all dividends. Cumulative total shareholder returns for our common stock, the Russell 2000 Index and the S&P 500 Building Products Index are based on our fiscal year.



	Fiscal Year Ended					
	September 28, 2019	October 3, 2020	October 2, 2021	October 1, 2022	September 30, 2023	September 28, 2024
Insteel Industries Inc.	\$ 100.00	\$ 92.15	\$ 202.72	\$ 145.23	\$ 191.01	\$ 195.65
Russell 2000	100.00	100.39	148.25	113.42	123.55	156.61
S&P 500 Building Products	100.00	115.82	167.78	126.64	169.28	268.56

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The matters discussed in this section include forward-looking statements that are subject to numerous risks. You should carefully read the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in this Form 10-K.

Overview

Our operations are entirely focused on the manufacture and marketing of concrete reinforcing products for the concrete construction industry. Our business strategy is focused on: (1) achieving leadership positions in our markets; (2) operating as the lowest cost producer in our industry; and (3) pursuing growth opportunities within our core businesses that further our penetration of the markets we currently serve or expand our footprint.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Our discussion and analysis of our financial condition and results of operations are based on these consolidated financial statements. The preparation of our consolidated financial statements requires the application of these accounting principles in addition to certain estimates and judgments based on currently available information, actuarial estimates, historical results and other assumptions believed to be reasonable. These estimates, assumptions and judgments are affected by our application of accounting policies, which are discussed in Note 2, "Summary of Significant Accounting Policies", and elsewhere in the accompanying consolidated financial statements. Estimates are used for, but not limited to, determining the net carrying value of trade accounts receivable, inventories, recording self-insurance liabilities and other accrued liabilities. Actual results could differ from these estimates.

Accounting estimates are considered critical if both of the following conditions are met: (1) the nature of the estimates or assumptions is material because of the levels of subjectivity and judgment needed to account for matters that are highly uncertain and susceptible to change and (2) the effect of the estimates and assumptions is material to the financial statements.

We have reviewed our accounting estimates, and none were deemed to be considered critical for the accounting periods presented.

Recent Accounting Pronouncements.

The nature and impact of recent accounting pronouncements is discussed in Note 3 to our consolidated financial statements and incorporated herein by reference.

Results of Operations

The following discussion and analysis of our financial condition and results of operations is for the year ended September 28, 2024 compared with the year ended September 30, 2023. Discussions of our financial condition and results of operations for the year ended September 30, 2023 compared to October 1, 2022 that have been omitted under this item can be found in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, which was filed with the SEC on October 26, 2023.

The table below presents a summary of our results of operations for fiscal 2024 and fiscal 2023.

Statements of Operations – Selected Data (Dollars in thousands)

	Year Ended		
	September 28, 2024	Change	September 30, 2023
Net sales	\$ 529,198	(18.5%)	\$ 649,188
Gross profit	49,632	(24.1%)	65,398
<i>Percentage of net sales</i>	9.4%		10.1%
Selling, general and administrative expense	\$ 29,591	(3.6%)	\$ 30,685
<i>Percentage of net sales</i>	5.6%		4.7%
Other expense (income), net	\$ 37	N/M	\$ (3,423)
Interest income	\$ (5,433)	46.6%	\$ (3,706)
Effective income tax rate	23.7%		22.4%
Net earnings	\$ 19,305	(40.4%)	\$ 32,415

"N/M" = not meaningful

2024 Compared with 2023

Net Sales

Net sales decreased 18.5% to \$529.2 million in 2024 from \$649.2 million in 2023 driven entirely by a decrease in average selling prices as shipments remained relatively flat. The decrease in average selling prices was driven by persistent competitive pricing pressures in our welded wire reinforcing markets, the impact of low-priced PC strand and a decline in raw material costs. Shipments for the current year were adversely impacted by weaker market conditions, increasing volumes of PC strand imports and adverse weather conditions.

Gross Profit

Gross profit decreased 24.1% to \$49.6 million, or 9.4% of net sales, in 2024 from \$65.4 million, or 10.1% of net sales, in 2023. The year-over-year decrease was primarily due to lower spreads between average selling prices and raw material costs (\$16.6 million) partially offset by lower manufacturing costs (\$782,000). The decrease in spreads was driven by lower average selling prices (\$119.7 million) partially offset by lower raw material costs (\$102.8 million) and a decrease in freight expense (\$291,000).

Selling, General and Administrative Expense

Selling, general and administrative expense (“SG&A expense”) decreased 3.6% to \$29.6 million, or 5.6% of net sales, in 2024 from \$30.7 million, or 4.7% of net sales, in 2023 primarily due to lower compensation expense (\$1.4 million) and the relative year-over-year changes in the cash surrender value of life insurance policies (\$1.0 million) partially offset by higher depreciation (\$569,000) and bad debt (\$350,000) expense. The decrease in compensation expense was largely driven by lower incentive plan expense due to a decline in financial results in the current year. The cash surrender value of life insurance policies increased \$1.5 million in the current year compared with \$531,000 in the prior year due to the corresponding changes in the value of the underlying investments. The increase in depreciation expense was attributed to higher capital expenditures during the current year. The higher bad debt expense resulted from adjustments to customer credit reserves.

Other Expense (Income), net

Other expense was \$37,000 for 2024 compared with other income of \$3.4 million in 2023. Other income in the prior year was primarily related to a net gain from the sale of property, plant and equipment (\$3.3 million).

Interest Income

Interest income increased \$1.7 million due to higher average cash balances and interest rates.

Income Taxes

Our effective income tax rate for 2024 increased to 23.7% from 22.4% in 2023, primarily due to an adjustment to state income tax expense and an increase in the valuation allowance for a deferred tax asset that is not expected to be utilized.

Net Earnings

Net earnings decreased to \$19.3 million (\$0.99 per share) in 2024 from \$32.4 million (\$1.66 per share) in 2023, primarily due to the decrease in gross profit and other income partially offset by lower SG&A expense and increased interest income.

Liquidity and Capital Resources

Overview

Our sources of liquidity include cash and cash equivalents, cash generated by operating activities and borrowing availability provided under our \$100.0 million revolving credit facility (the "Credit Facility"). Our principal capital requirements include funding working capital, capital expenditures, dividends and any share repurchases. As of September 28, 2024, our cash and cash equivalents totaled \$111.5 million compared with \$125.7 million as of September 30, 2023.

We believe that, in the absence of significant unanticipated cash demands, cash and cash equivalents, cash generated by operating activities and the borrowing availability provided under the Credit Facility will be sufficient to satisfy our expected requirements for working capital, capital expenditures, dividends and share repurchases, if any, in both the short- and long-term. We also expect to have access to the amounts available under our Credit Facility as required. However, should we experience future reductions in our operating cash flows due to weakening conditions in our construction end-markets and reduced demand from our customers, we may need to curtail capital and operating expenditures, delay or restrict share repurchases, cease dividend payments and/or realign our working capital requirements.

Should we determine, at any time, that we require additional short-term liquidity, we would evaluate the alternative sources of financing that were potentially available to provide such funding. There can be no assurance that any such financing, if pursued, would be obtained, or if obtained, would be adequate or on terms acceptable to us. However, we believe that our strong balance sheet, flexible capital structure and borrowing capacity available to us under our Credit Facility position us to meet our anticipated liquidity requirements for the foreseeable future.

Selected Liquidity and Capital Resources Data
(Dollars in thousands)

	Year Ended	
	September 28, 2024	September 30, 2023
Net cash provided by operating activities	\$ 58,207	\$ 142,200
Net cash used for investing activities	(19,637)	(20,896)
Net cash used for financing activities	(52,702)	(43,950)
Cash and cash equivalents	111,538	125,670
Net working capital	220,260	252,698
Total debt	-	-
<i>Percentage of total capital</i>	-	-
Shareholders' equity	\$ 350,855	\$ 381,505
<i>Percentage of total capital</i>	100%	100%
Total capital (total debt + shareholders' equity)	\$ 350,855	\$ 381,505

Operating Activities

Operating activities provided \$58.2 million of cash in 2024 primarily from net earnings adjusted for non-cash items together with a net decrease in working capital. Working capital provided \$18.9 million of cash due to a \$14.5 million decrease in inventories and a \$5.1 million reduction in accounts receivable partially offset by a \$639,000 decrease in accounts payable and accrued expenses. The decrease in inventories was primarily due to lower average unit costs. The decrease in accounts receivable was largely driven by lower average selling prices.

Operating activities provided \$142.2 million of cash in 2023 primarily from net earnings adjusted for non-cash items together with a net decrease in working capital. Working capital provided \$95.6 million of cash due to a \$94.3 million decrease in inventories and an \$18.2 million reduction in accounts receivable partially offset by a \$16.9 million decrease in accounts payable and accrued expenses. The decrease in inventories was primarily due to lower raw material purchases along with lower average unit costs. The decrease in accounts receivable was largely driven by lower average selling prices. The decrease in accounts payable and accrued expenses was largely due to lower raw material purchases, lower unit costs and a reduction in accrued incentive plan expense.

We may elect to adjust our operating activities as there are changes in the conditions in our construction end-markets, which could materially impact our cash requirements. While a downturn in the level of construction activity affects sales to our customers, it generally reduces our working capital requirements.

Investing Activities

Investing activities used \$19.6 million of cash in 2024 primarily due to capital expenditures (\$19.1 million) and an increase in the cash surrender value of life insurance policies (\$517,000). Investing activities used \$20.9 million of cash in 2023 primarily due to capital expenditures (\$30.7 million) partially offset by the receipt of proceeds from the sale of property, plant and equipment (\$9.9 million). Capital expenditures for both years focused on cost and productivity improvement initiatives in addition to recurring maintenance requirements. Capital expenditures are expected to total up to approximately \$22.0 million in 2025, including expenditures to support costs and productivity initiatives, as well as recurring maintenance requirements. Our investing activities are largely discretionary, providing us with the ability to significantly curtail outlays should future business conditions warrant that such actions be taken.

Financing Activities

Financing activities used \$52.7 million of cash in 2024 and \$44.0 million of cash in 2023. In 2024, \$50.9 million of cash was used for dividend payments (including a special cash dividend of \$48.6 million, or \$2.50 per share, and regular cash dividends totaling \$2.3 million) and \$1.8 million for the repurchase of common stock. In 2023, \$41.3 million of cash was used for dividend payments (including a special cash dividend of \$38.9 million, or \$2.00 per share, and regular cash dividends totaling \$2.4 million) and \$2.3 million for the repurchase of common stock.

Cash Management

Our cash is principally concentrated at one major financial institution, which at times exceeds federally insured limits. We invest excess cash primarily in money market funds, which are highly liquid securities that bear minimal risk.

Credit Facility

We have a Credit Facility that is used to supplement our operating cash flow and fund our working capital, capital expenditure, general corporate and growth requirements. In March 2023, we amended our credit agreement to extend the maturity date of the Credit Facility from May 15, 2024, to March 15, 2028 and replaced the London Inter-Bank Offered Rate with the Secured Overnight Financing Rate. The Credit Facility provides for an accordion feature whereby its size may be increased by up to \$50.0 million, subject to our lender's approval. Advances under the Credit Facility are limited to the lesser of the revolving loan commitment amount (currently \$100.0 million) or a borrowing base amount that is calculated based upon a percentage of eligible receivables and inventories. As of September 28, 2024, no borrowings were outstanding on the Credit Facility, \$98.5 million of borrowing capacity was available and outstanding letters of credit totaled \$1.5 million (see Note 8 to the consolidated financial statements). As of September 30, 2023, there were no borrowings outstanding on the Credit Facility.

Off-Balance Sheet Arrangements

We do not have any material transactions, arrangements, obligations (including contingent obligations) or other relationships with unconsolidated entities or other persons, as defined by Item 303(a)(4) of Regulation S-K of the SEC, that have or are reasonably likely to have a material current or future impact on our financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.

Contractual Obligations

In addition to our discussion and analysis surrounding our liquidity and capital resources, our contractual obligations and commitments as of September 28, 2024, include:

- Raw Material Purchase Commitments – See Note 12, “Commitments and Contingencies,” within our consolidated financial statements for further details concerning our non-cancelable raw material purchase commitments.
- Supplemental Employee Retirement Plan Obligations – See Note 11, “Employee Benefit Plans,” within our consolidated financial statements for further detail of our obligations and the timing of expected future payments under our supplemental employee retirement plan.
- Operating Leases – See Note 13, “Leases,” within our consolidated financial statements for further detail of our obligations and the timing of expected future payments, including a five-year maturity schedule.
- Debt Obligations and Interest Payments - See Note 8, “Long-Term Debt,” within our consolidated financial statements for further detail of our debt and the timing of expected future principal and interest payments. As of September 28, 2024, there were no borrowings outstanding.
- Capital Expenditures – As of September 28, 2024, we had contractual commitments for capital expenditures of \$2.1 million.

Impact of Inflation

We are subject to inflationary risks arising from fluctuations in the market prices for our primary raw material, hot-rolled carbon steel wire rod, and, to a much lesser extent, labor, freight, energy and other consumables that are used in our manufacturing processes. We have generally been able to adjust our selling prices to pass through increases in these costs or offset them through various cost reduction and productivity improvement initiatives. However, our ability to raise our selling prices depends on market conditions and competitive dynamics, and there may be periods during which we are unable to fully recover increases in our costs.

After initially rising in the first half of 2024, wire rod prices declined during the latter part of the year due to reductions in the cost of steel scrap for wire rod producers and weakening demand. Selling prices for our products declined during 2024 in response to weak demand, competitive pricing pressures and the impact of low-priced PC strand imports, which negatively impacted our financial results. During 2023, we experienced a decline in wire rod prices primarily due to reductions in the cost of scrap for wire producers and a concurrent weakening in demand. Selling prices for our products fell in response to the softening demand and competitive pricing pressure. Consequently, our financial results were adversely affected as we consumed higher cost inventory that was purchased in prior periods. The timing and magnitude of any future increases in raw material costs and the impact on selling prices for our products is uncertain at this time.

Outlook

Looking ahead to fiscal 2025, we expect our financial results will be favorably impacted by the improving business conditions in our construction end markets. Although recent key indicators and industry forecasts for nonresidential construction spending have been somewhat mixed, customer sentiment is generally positive, and easing inflation concerns and the downward trajectory of interest rates will likely stimulate demand going forward. Furthermore, the outlook for public nonresidential construction is favorable, as federal spending associated with the Infrastructure Investment and Jobs Act is expected to drive new project activity in fiscal 2025 and beyond. We also expect our financial results for the coming year to benefit from our recent acquisition of EWP through the anticipated operational synergies upon completion of integration activities.

Regardless of the market dynamics, we continue to focus on those factors we control, including closely managing and controlling our expenses; aligning our production schedules with demand in a proactive manner as there are changes in market conditions to minimize our operating costs; pursuing further improvements in the productivity and effectiveness of all our manufacturing, selling and administrative activities; and furthering our human capital strategy. We also expect increasing contributions from the substantial investments we have made in our facilities in recent years and expect to continue to make in the form of reduced operating costs and additional capacity to support future growth. Finally, we will continue to pursue acquisitions opportunistically to expand our penetration of markets we currently serve or expand our footprint.

The statements contained in this section are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our cash flows and earnings are subject to fluctuations resulting from changes in commodity prices, interest rates and foreign exchange rates. We manage our exposure to these market risks through internally established policies and procedures and, when appropriate, through the use of derivative financial instruments. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe we can modify or adapt our hedging strategies as necessary.

Commodity Prices

We are subject to significant fluctuations in the cost and availability of our primary raw material, hot-rolled carbon steel wire rod, which we purchase from both domestic and foreign suppliers. We negotiate quantities and pricing for both domestic and foreign wire rod purchases for varying periods (most recently monthly for domestic suppliers), depending upon market conditions, to manage our exposure to price fluctuations and to ensure adequate availability of material consistent with our requirements. We do not use derivative commodity instruments to hedge our exposure to changes in prices as such instruments are not currently available for wire rod. Our ability to acquire wire rod from foreign sources on favorable terms is impacted by fluctuations in strength of home markets, foreign currency exchange rates, foreign taxes, duties, tariffs, quotas and other trade actions. Although changes in our wire rod costs and selling prices tend to be correlated, in weaker market environments, we may be unable to fully recover increased wire rod costs, which would reduce our earnings and cash flows. Additionally, when raw material costs decline, our financial results may be negatively impacted if the selling prices for our products decrease to an even greater extent and if we are consuming higher cost material from inventory. Based on our 2024 shipments and average wire rod cost reflected in cost of sales, a 10% increase in the price of wire rod would have resulted in a \$32.7 million decrease in our annual pre-tax earnings (assuming there was not a corresponding change in our selling prices).

Interest Rates

Although we did not have any balances outstanding on our Credit Facility as of September 28, 2024, future borrowings under the facility are subject to a variable rate of interest and are sensitive to changes in interest rates.

Foreign Exchange Exposure

We have not typically hedged foreign currency exposures related to transactions denominated in currencies other than U.S. dollars, as such transactions have not been material historically. We will occasionally hedge firm commitments for certain equipment purchases that are denominated in foreign currencies. The decision to hedge any such transactions is made by us on a case-by-case basis. There were no forward contracts outstanding as of September 28, 2024. During 2024, a 10% increase or decrease in the value of the U.S. dollar relative to foreign currencies to which we are typically exposed would not have had a material impact on our financial position, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data.

Financial Statements

Consolidated Statements of Operations for the years ended September 28, 2024, September 30, 2023 and October 1, 2022	22
Consolidated Statements of Comprehensive Income for the years ended September 28, 2024, September 30, 2023 and October 1, 2022	23
Consolidated Balance Sheets as of September 28, 2024 and September 30, 2023	24
Consolidated Statements of Shareholders' Equity for the years ended September 28, 2024, September 30, 2023 and October 1, 2022	25
Consolidated Statements of Cash Flows for the years ended September 28, 2024, September 30, 2023 and October 1, 2022	26
Notes to Consolidated Financial Statements	27
Report of Independent Registered Public Accounting Firm – Consolidated Financial Statements (PCAOB ID Number 248)	44

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Net sales	\$ 529,198	\$ 649,188	\$ 826,832
Cost of sales	479,566	583,790	629,522
Gross profit	49,632	65,398	197,310
Selling, general and administrative expense	29,591	30,685	36,048
Restructuring recoveries, net	-	-	(318)
Acquisition costs	61	-	-
Other expense (income), net	37	(3,423)	88
Interest expense	89	87	91
Interest income	(5,433)	(3,706)	(326)
Earnings before income taxes	25,287	41,755	161,727
Income taxes	5,982	9,340	36,716
Net earnings	<u>\$ 19,305</u>	<u>\$ 32,415</u>	<u>\$ 125,011</u>
Net earnings per share:			
Basic	\$ 0.99	\$ 1.66	\$ 6.41
Diluted	0.99	1.66	6.37
Cash dividends declared	2.62	2.12	2.12
Weighted average shares outstanding:			
Basic	19,502	19,504	19,517
Diluted	19,575	19,566	19,629

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Net earnings	\$ 19,305	\$ 32,415	\$ 125,011
Adjustment to defined benefit plan liability, net of income taxes of \$103, (\$219) and (\$463), respectively	(325)	694	1,465
Other comprehensive (loss) income	(325)	694	1,465
Comprehensive income	<u>\$ 18,980</u>	<u>\$ 33,109</u>	<u>\$ 126,476</u>

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	September 28, 2024	September 30, 2023
Assets:		
Current assets:		
Cash and cash equivalents	\$ 111,538	\$ 125,670
Accounts receivable, net	58,308	63,424
Inventories	88,840	103,306
Other current assets	8,608	6,453
Total current assets	267,294	298,853
Property, plant and equipment, net	125,540	120,014
Intangibles, net	5,341	6,090
Goodwill	9,745	9,745
Other assets	14,632	12,811
Total assets	<u>\$ 422,552</u>	<u>\$ 447,513</u>
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable	\$ 37,487	\$ 34,346
Accrued expenses	9,547	11,809
Total current liabilities	47,034	46,155
Other liabilities	24,663	19,853
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value Authorized shares: 1,000 None Issued	-	-
Common stock, \$1 stated value Authorized shares: 50,000 Issued and outstanding shares: 2024, 19,452; 2023, 19,454	19,452	19,454
Additional paid-in capital	86,671	83,832
Retained earnings	245,340	278,502
Accumulated other comprehensive loss	(608)	(283)
Total shareholders' equity	350,855	381,505
Total liabilities and shareholders' equity	<u>\$ 422,552</u>	<u>\$ 447,513</u>

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive Income (Loss) (1)	Total Shareholders' Equity
	Shares	Amount	Capital	Earnings		
Balance at October 2, 2021	19,408	\$ 19,408	\$ 78,688	\$ 206,384	\$ (2,442)	\$ 302,038
Net earnings				125,011		125,011
Other comprehensive income(1)					1,465	1,465
Stock options exercised	72	72	1,578			1,650
Vested and released restricted stock units	40	40	(40)			-
Compensation expense associated with stock-based plans			2,429			2,429
Repurchases of common stock	(42)	(42)	(175)	(987)		(1,204)
Restricted stock units and stock options surrendered for withholding taxes payable			(483)			(483)
Cash dividends declared				(41,162)		(41,162)
Balance at October 1, 2022	19,478	19,478	81,997	289,246	(977)	389,744
Net earnings				32,415		32,415
Other comprehensive income(1)					694	694
Stock options exercised	16	16	223			239
Vested and released restricted stock units	40	40	(40)			-
Compensation expense associated with stock-based plans			2,425			2,425
Repurchases of common stock	(80)	(80)	(341)	(1,907)		(2,328)
Restricted stock units and stock options surrendered for withholding taxes payable			(432)			(432)
Cash dividends declared				(41,252)		(41,252)
Balance at September 30, 2023	19,454	19,454	83,832	278,502	(283)	381,505
Net earnings				19,305		19,305
Other comprehensive loss(1)					(325)	(325)
Stock options exercised	17	17	411			428
Vested and released restricted stock units	39	39	(39)			-
Compensation expense associated with stock-based plans			3,072			3,072
Repurchases of common stock	(58)	(58)	(253)	(1,525)		(1,836)
Restricted stock units and stock options surrendered for withholding taxes payable			(352)			(352)
Cash dividends declared				(50,942)		(50,942)
Balance at September 28, 2024	19,452	\$ 19,452	\$ 86,671	\$ 245,340	\$ (608)	\$ 350,855

(1) Activity within accumulated other comprehensive income (loss) is reported net of related income taxes: 2022 (\$463), 2023 (\$219) and 2024 \$103.

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Cash Flows From Operating Activities:			
Net earnings	\$ 19,305	\$ 32,415	\$ 125,011
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	15,413	13,304	14,486
Amortization of capitalized financing costs	50	57	65
Stock-based compensation expense	3,072	2,425	2,429
Deferred income taxes	4,195	238	327
Loss (gain) on sale and disposition of property, plant and equipment and assets held for sale	99	(3,271)	(480)
Increase in cash surrender value of life insurance policies over premiums paid	(1,532)	(531)	-
Gain from life insurance proceeds	-	-	(364)
Net changes in assets and liabilities:			
Accounts receivable, net	5,116	18,222	(13,729)
Inventories	14,466	94,348	(118,605)
Accounts payable and accrued expenses	(639)	(16,949)	(1,964)
Other changes	(1,338)	1,942	(1,506)
Total adjustments	38,902	109,785	(119,341)
Net cash provided by operating activities	58,207	142,200	5,670
Cash Flows From Investing Activities:			
Capital expenditures	(19,149)	(30,702)	(15,900)
(Increase) decrease in cash surrender value of life insurance policies	(517)	(476)	1,361
Proceeds from sale of assets held for sale	-	-	6,934
Proceeds from sale of property, plant, and equipment	4	9,924	-
Proceeds from surrender of life insurance policies	25	358	110
Proceeds from life insurance claims	-	-	1,456
Net cash used for investing activities	(19,637)	(20,896)	(6,039)
Cash Flows From Financing Activities:			
Proceeds from long-term debt	298	323	266
Principal payments on long-term debt	(298)	(323)	(266)
Cash dividends paid	(50,942)	(41,252)	(41,162)
Cash received from exercise of stock options	428	239	1,650
Financing costs	-	(177)	-
Payment of employee tax withholdings related to net share transactions	(352)	(432)	(483)
Repurchases of common stock	(1,836)	(2,328)	(1,204)
Net cash used for financing activities	(52,702)	(43,950)	(41,199)
Net (decrease) increase in cash and cash equivalents	(14,132)	77,354	(41,568)
Cash and cash equivalents at beginning of period	125,670	48,316	89,884
Cash and cash equivalents at end of period	\$ 111,538	\$ 125,670	\$ 48,316
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Income taxes, net	\$ 3,332	\$ 7,834	\$ 41,483
Non-cash investing and financing activities:			
Purchases of property, plant and equipment in accounts payable	2,449	1,301	946
Restricted stock units and stock options surrendered for withholding taxes payable	352	432	483

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 28, 2024, SEPTEMBER 30, 2023 and OCTOBER 1, 2022

(1) Description of Business

Insteel Industries Inc. (“we,” “us,” “our,” “Insteel” or “the Company”) is the nation’s largest manufacturer of steel wire reinforcing products for concrete construction applications. Insteel is the parent holding company for two wholly-owned subsidiaries, Insteel Wire Products Company (“IWP”), an operating subsidiary, and Intercontinental Metals Corporation, an inactive subsidiary. We manufacture and market prestressed concrete strand (“PC strand”) and welded wire reinforcement (“WWR”), including engineered structural mesh, concrete pipe reinforcement and standard welded wire reinforcement. Our products are primarily sold to manufacturers of concrete products and, to a lesser extent, distributors, rebar fabricators and contractors. We sell our products nationwide across the United States (“U.S.”) and, to a much lesser extent, into Canada, Mexico and Central and South America.

We have evaluated all subsequent events that occurred after the balance sheet date through the time of filing this Annual Report on Form 10-K and concluded there were no events or transactions during this period that required additional recognition or disclosure in our consolidated financial statements other than the acquisition of the assets of Engineered Wire Products, Inc. (“EWP”) described in Note 19.

(2) Summary of Significant Accounting Policies

Fiscal year. Our fiscal year is the 52 or 53 weeks ending on the Saturday closest to September 30. Fiscal years 2024, 2023 and 2022 were 52-week periods. All references to years relate to fiscal years rather than calendar years.

Principles of consolidation. The consolidated financial statements include the accounts of Insteel and our subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. There is no assurance that actual results will not differ from these estimates.

Cash equivalents. We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Concentration of credit risk. Financial instruments that subject us to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. Our cash is principally concentrated at one major financial institution, which at times exceeds federally insured limits. We are exposed to credit risk in the event of default by institutions in which our cash and cash equivalents are held and by customers to the extent of the amounts recorded on the balance sheet. We invest excess cash primarily in money market funds, which are highly liquid securities.

The majority of our accounts receivable are due from customers that are located in the U.S. and are generally not secured by collateral depending upon the creditworthiness of the account. We provide an allowance for credit losses based upon our assessment of the credit risk of specific customers, historical trends and other information. We write off accounts receivable when they become uncollectible. There is no disproportionate concentration of credit risk.

Stock-based compensation. We account for stock-based compensation in accordance with the fair value recognition provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, “Compensation – Stock Compensation”, which requires stock-based compensation expense to be recognized in net earnings based on the fair value of the award on the date of the grant. We estimate for forfeitures over the service period. We determine the fair value of stock options issued by using a Monte Carlo valuation model at the grant date, which considers a range of assumptions including the expected term, volatility, dividend yield and risk-free interest rate.

Employee benefit plan. We account for our supplemental retirement benefit agreements (each, a “SRBA”) in accordance with ASC Topic 715, “Compensation – Retirement Benefits”. Under the provisions of ASC Topic 715, we recognize net periodic pension cost and value liabilities based on certain actuarial assumptions, principally the assumed discount rate.

The discount rate we utilize for determining net periodic pension cost and the related benefit obligation for the SRBAs is based, in part, on current interest rates earned on long-term bonds that receive one of the two highest ratings assigned by recognized rating agencies. Our discount rate assumptions are adjusted as of each valuation date to reflect current interest rates on such long-term bonds. The discount rate is used to determine the actuarial present value of the benefit obligations as of the valuation date as well as the interest component of the net periodic pension cost for the following year. We currently expect net periodic pension cost for 2025 to be \$878,000 for the SRBAs. Cash contributions to the SRBAs during 2025 are estimated to be \$944,000.

The assumed discount rate is reevaluated annually. A reduction in the assumed discount rate generally results in an actuarial loss, as the actuarially-determined present value of estimated future benefit payments will increase. Conversely, an increase in the assumed discount rate generally results in an actuarial gain. However, any actuarial gains generated in future periods reduce the negative amortization effect of any cumulative unamortized actuarial losses, while any actuarial losses generated in future periods reduce the favorable amortization effect of any cumulative unamortized actuarial gains.

The projected benefit obligations and net periodic pension cost for the SRBAs are based in part on expected increases in future compensation levels. Our assumption for the expected increase in future compensation levels is based upon our average historical experience and our intentions regarding future compensation increases, which generally approximates average long-term inflation rates. A 0.25% decrease in the assumed discount rate for our SRBAs would have increased our projected and accumulated benefit obligations as of September 28, 2024 by approximately \$297,000 and \$242,000, respectively, and decreased our expected net periodic pension cost for 2025 by approximately \$4,000.

Revenue recognition. We recognize revenues when obligations under the terms of a contract with our customers are satisfied, which generally occurs when products are shipped and control is transferred. Revenue is measured as the amount of consideration expected to be received in exchange for our products.

Inventories. Inventories are valued at the lower of weighted average cost (which approximates computation on a first-in, first-out basis) and net realizable value. The valuation of inventory includes the costs for material, labor and manufacturing overhead.

Property, plant and equipment. Property, plant and equipment are recorded at cost or fair market value in the case of the assets acquired through acquisitions, or otherwise at reduced values to the extent there have been asset impairment write-downs. Expenditures for maintenance and repairs are charged directly to expense when incurred, while major improvements are capitalized. Depreciation is computed for financial reporting purposes principally by use of the straight-line method over the following estimated useful lives: machinery and equipment, 3 - 15 years; buildings, 10 - 30 years; and land improvements, 10 - 20 years. Depreciation expense was approximately \$14.7 million in 2024, \$12.5 million in 2023 and \$13.7 million in 2022 and reflected in cost of sales and selling, general and administrative expense ("SG&A expense") in the consolidated statements of operations. Capitalized software is amortized over the shorter of the estimated useful life or 5 years and reflected in SG&A expense. No interest costs were capitalized in 2024, 2023 and 2022.

Goodwill. Goodwill is the excess of cost over the fair value of net assets of businesses acquired. Goodwill is not amortized but is tested annually for impairment and whenever events or circumstances change that would make it more likely than not that an impairment may have occurred. We perform our annual impairment analysis as of the first day of the fourth quarter each year. The evaluation of impairment involves comparing the current estimated fair value of the reporting unit to its recorded value, including goodwill. We perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. It may be necessary to perform a quantitative analysis where a discounted cash flow model is used to determine the current estimated fair value of the reporting unit. Key assumptions used to determine the fair value of the reporting unit as part of our annual testing (and any required interim testing) include: (a) expected cash flows for the five-year period following the testing date; (b) an estimated terminal value using a terminal year growth rate based on the growth prospects of the reporting unit; (c) a discount rate based on our estimated after-tax weighted average cost of capital; and (d) a probability-weighted scenario approach by which varying cash flows are assigned to alternative scenarios based on their likelihood of occurrence. In developing these assumptions, we consider historical and anticipated future results, general economic and market conditions, the impact of planned business and operational strategies and all available information at the time the fair value of the reporting unit is estimated. Assumptions in estimating future cash flows are subject to a high degree of judgment and complexity. Changes in assumptions and estimates may affect the fair value of goodwill and could result in impairment charges in future periods. Based on the results of our impairment analysis, no goodwill impairment losses were recognized in the consolidated statements of operations for 2024, 2023 and 2022. Subsequent to the analysis, there have been no events or circumstances that indicate any potential impairment of goodwill.

Long-lived assets. Long-lived assets include property, plant and equipment and identifiable intangible assets with definite useful lives. Finite-lived intangible assets are amortized over their estimated useful lives. Our intangible assets consist of customer relationships, developed technology and know-how and non-competition agreements and are being amortized on a straight-line basis over their finite useful lives (see Note 7 to the consolidated financial statements). We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. When we determine that the carrying value of such assets may not be recoverable, we measure recoverability based on the undiscounted cash flows expected to be generated by the related asset or asset group. If it is determined that an impairment loss has occurred, the loss is recognized in the period in which it is incurred and is calculated as the difference between the carrying value and the present value of estimated future net cash flows or comparable market values. There were no impairment losses in 2024, 2023 or 2022.

Fair value of financial instruments. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturities.

Income taxes. Income taxes are based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. We assess the need to establish a valuation allowance against deferred tax assets to the extent we no longer believe it is more likely than not that the tax assets will be fully realized. We recognize uncertain tax positions when we have determined it is more likely than not that a tax position will be sustained upon examination. However, new information may become available, or applicable laws or regulations may change, thereby resulting in a favorable or unfavorable adjustment to amounts recorded.

Earnings per share. Basic earnings per share ("EPS") are computed by dividing earnings available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS are computed by dividing earnings available to common shareholders by the weighted average number of shares of common stock and other dilutive equity securities outstanding during the period. Securities that have the effect of increasing EPS are considered to be antidilutive and are not included in the computation of diluted EPS.

(3) Recent Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". ASU No. 2023-07 requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), a description of other segment items by reportable segment and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU requires all annual disclosures currently required by Topic 280 to be included in interim periods and is applicable to entities with a single reportable segment. ASU No. 2023-07 will be effective for us in fiscal 2025 for annual reporting and in the first quarter of fiscal 2026 for interim reporting. Retrospective application is required for all prior periods presented in the financial statements. The adoption of this update will not have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". ASU No. 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income tax paid. ASU No. 2023-09 will become effective for us in fiscal 2026. We are currently evaluating the impact of the ASU on our income tax disclosures within the consolidated financial statements.

(4) Revenue Recognition

We recognize revenues when performance obligations under the terms of a contract with our customers are satisfied, which generally occurs when products are shipped and control is transferred. We enter into contracts that pertain to products, which are accounted for as separate performance obligations and typically one year or less in duration. We do not exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price. Revenue is measured as the amount of consideration expected to be received in exchange for our products. We present revenue net of amounts collected from customers for sales tax.

Variable consideration that may affect the total transaction price, including contractual discounts, rebates, returns and credits are included in net sales. Estimates for variable consideration are based on historical experience, anticipated performance and management's judgment and are updated as of each reporting date. Shipping and related expenses associated with outbound freight are accounted for as fulfillment costs and included in cost of sales. We do not have significant financing components. Contract costs are not significant and are recognized as incurred.

Contract assets primarily relate to our rights to consideration for products that are delivered but not billed as of the reporting date and are reclassified to receivables when the customer is invoiced. Contract liabilities primarily relate to performance obligations that are to be satisfied in the future and arise when we collect from the customer in advance of shipments. Contract assets and liabilities were not material as of September 28, 2024 and September 30, 2023.

Accounts receivable includes amounts billed and currently due from customers stated at their net estimated realizable value. Customer payment terms are generally 30 days. We maintain an allowance for credit losses to provide for the estimated receivables that will not be collected, which is based upon our assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables. Past-due trade receivable balances are written off when our collection efforts have been unsuccessful.

See Note 15 for the disaggregation of our net sales by product line and geography.

(5) Restructuring

On March 16, 2020, we purchased substantially all of the assets of Strand-Tech Manufacturing (“STM”) for an adjusted purchase price of \$19.4 million, reflecting certain post-closing adjustments (the “STM Acquisition”). STM was a leading manufacturer of PC strand for concrete construction applications. We acquired, among other assets, STM’s accounts receivable, inventories, production equipment and facility located in Summerville, South Carolina, and assumed certain of its accounts payable and accrued liabilities.

In connection with the STM acquisition, we elected to consolidate our PC strand operations through the closure of the Summerville facility and the redeployment of its equipment to our other three PC strand production facilities located in Gallatin, Tennessee; Houston, Texas; and Sanderson, Florida. Operations at the Summerville facility ceased during the third quarter of 2020, and the facility was sold in 2022. The consolidation of our PC strand operations was completed in 2022. Following is a summary of the restructuring activity during 2022:

<i>(In thousands)</i>	Facility Closure Costs	Gain on Sale of Equipment	Total
2022			
Liability as of October 2, 2021	\$ 10	\$ -	\$ 10
Restructuring charges (recoveries), net	304	(622)	(318)
Cash payments	(314)	-	(314)
Non-cash charges	-	622	622
Liability as of October 1, 2022	\$ -	\$ -	\$ -

(6) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of September 28, 2024 and September 30, 2023, we held financial assets that are required to be measured at fair value on a recurring basis, which are summarized below:

<i>(In thousands)</i>	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)
As of September 28, 2024:			
Current assets:			
Cash equivalents	\$ 111,146	\$ 111,146	\$ -
Other assets:			
Cash surrender value of life insurance policies	12,610	-	12,610
Total	<u>\$ 123,756</u>	<u>\$ 111,146</u>	<u>\$ 12,610</u>
As of September 30, 2023:			
Current assets:			
Cash equivalents	\$ 125,805	\$ 125,805	\$ -
Other assets:			
Cash surrender value of life insurance policies	10,586	-	10,586
Total	<u>\$ 136,391</u>	<u>\$ 125,805</u>	<u>\$ 10,586</u>

Cash equivalents, which include all highly liquid investments with original maturities of three months or less, are classified as Level 1 of the fair value hierarchy. The carrying amount of our cash equivalents, which consist of investments in money market funds, approximates fair value due to their short maturities. Cash surrender value of life insurance policies are classified as Level 2. The fair value of the life insurance policies was determined by the underwriting insurance company's valuation models and represents the guaranteed value we would receive upon surrender of these policies as of the reporting date.

As of September 28, 2024 and September 30, 2023, we had no nonfinancial assets that are required to be measured at fair value on a nonrecurring basis. The carrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these financial instruments.

(7) Intangible Assets

The primary components of our intangible assets and the related accumulated amortization are as follows:

<i>(In thousands)</i>	Weighted- Average Useful Life (Years)	Gross	Accumulated Amortization	Net Book Value
As of September 28, 2024:				
Customer relationships	17.1	\$ 9,870	\$ (5,427)	\$ 4,443
Developed technology and know-how	20.0	1,800	(908)	892
Non-competition agreements	5.0	60	(54)	6
		<u>\$ 11,730</u>	<u>\$ (6,389)</u>	<u>\$ 5,341</u>
As of September 30, 2023:				
Customer relationships	17.1	\$ 9,870	\$ (4,779)	\$ 5,091
Developed technology and know-how	20.0	1,800	(818)	982
Non-competition agreements	5.0	400	(383)	17
		<u>\$ 12,070</u>	<u>\$ (5,980)</u>	<u>\$ 6,090</u>

Amortization expense for intangibles was \$749,000 in 2024, \$757,000 in 2023 and \$821,000 in 2022. Amortization expense for the next five years is \$743,000 in 2025, \$752,000 in 2026, \$480,000 in 2027, \$453,000 in 2028 and \$453,000 in 2029.

(8) Long-Term Debt

Revolving Credit Facility. We have a \$100.0 million revolving credit facility (the “Credit Facility”) that is used to supplement our operating cash flow and fund our working capital, capital expenditure, general corporate and growth requirements. In March 2023, we amended our credit agreement to extend the maturity date of the Credit Facility from May 15, 2024, to March 15, 2028, and replaced the London Inter-Bank Offered Rate with the Secured Overnight Financing Rate (“SOFR”). The Credit Facility provides for an accordion feature whereby its size may be increased by up to \$50.0 million, subject to our lender’s approval. Advances under the Credit Facility are limited to the lesser of the revolving loan commitment amount (currently \$100.0 million) or a borrowing base amount that is calculated based upon a percentage of eligible receivables and inventories. As of September 28, 2024, no borrowings were outstanding on the Credit Facility, \$98.5 million of borrowing capacity was available and outstanding letters of credit totaled \$1.5 million. As of September 30, 2023, there were no borrowings outstanding on the Credit Facility.

Interest rates on the Credit Facility are based upon (1) an index rate that is established at the highest of the prime rate, 0.50% plus the federal funds rate or the SOFR rate plus 1.00% or (2) at our election, a SOFR rate including a credit adjustment of 0.10%, plus in either case, an applicable interest rate margin. The applicable interest rate margins are adjusted on a quarterly basis based upon the amount of excess availability on the Credit Facility within the range of 0.25% to 0.50% for index rate loans and 1.25% to 1.50% for SOFR-based loans. In addition, the applicable interest rate margins would be increased by 2.00% upon the occurrence of certain events of default provided for under the terms of the Credit Facility. Based on our excess availability as of September 28, 2024, the applicable interest rate margins on the Credit Facility were 0.25% for index rate loans and 1.25% for SOFR-based loans.

Our ability to borrow available amounts under the Credit Facility will be restricted or eliminated in the event of certain covenant breaches, events of default or if we are unable to make certain representations and warranties provided for under the terms of the Credit Facility. We are required to maintain a fixed charge coverage ratio of not less than 1.0 at the end of each fiscal quarter for the twelve-month period then ended when the amount of liquidity on the Credit Facility is less than \$10.0 million. In addition, the terms of the Credit Facility restrict our ability to, among other things: engage in certain business combinations or divestitures; make investments in or loans to third parties, unless certain conditions are met with respect to such investments or loans; pay cash dividends or repurchase shares of our stock subject to certain minimum borrowing availability requirements; incur or assume indebtedness; issue securities; enter into certain transactions with our affiliates; or permit liens to encumber our property and assets. The terms of the Credit Facility also provide that an event of default will occur upon the occurrence of, among other things: defaults or breaches under the loan documents, subject in certain cases to cure periods; defaults or breaches by us or any of our subsidiaries under any agreement resulting in the acceleration of amounts above certain thresholds or payment defaults above certain thresholds; certain events of bankruptcy or insolvency; certain entries of judgment against us or any of our subsidiaries, which are not covered by insurance; or a change of control. As of September 28, 2024, we were in compliance with all of the financial and negative covenants under the Credit Facility, and there have not been any events of default.

Amortization of capitalized financing costs associated with the Credit Facility was \$50,000 in 2024, and \$57,000 in 2023 and \$65,000 in 2022. We expect the amortization of capitalized financing costs to approximate the following amounts for the next five fiscal years:

Fiscal year	In thousands
2025	\$ 50
2026	51
2027	50
2028	23
2029	-

(9) Stock-Based Compensation

Under our equity incentive plan, employees and directors may be granted stock options, restricted stock, restricted stock units and performance awards. Effective February 11, 2020, our shareholders approved an amendment to the 2015 Equity Incentive Plan of Insteel Industries Inc. (the “2015 Plan”), which authorizes up to an additional 750,000 shares of our common stock for future grants under the plan and expires on February 17, 2025. As of September 28, 2024, there were 285,000 shares of our common stock available for future grants under the 2015 Plan, which is our only active equity incentive plan.

Stock option awards. Under our equity incentive plan, employees and directors may be granted options to purchase shares of common stock at the fair market value on the date of the grant. Options granted under the plan generally vest over three years and expire ten years from the date of the grant. Compensation expense associated with stock options was \$1.4 million in 2024, \$1.0 million in 2023 and \$1.1 million in 2022. As of September 28, 2024, there was \$692,000 of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 2.24 years.

The fair value of each option award granted is estimated on the date of grant using a Monte Carlo valuation model. The weighted-average estimated fair values of stock options granted during 2024, 2023 and 2022 were \$13.01, \$13.27 and \$14.67 per share, respectively, based on the following weighted-average assumptions:

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Expected term (in years)	4.20	4.35	4.61
Risk-free interest rate	4.12%	4.27%	3.03%
Expected volatility	44.83%	49.61%	49.63%
Expected dividend yield	0.36%	0.40%	0.34%

The assumptions utilized in the Monte Carlo valuation model are evaluated and revised, as necessary, to reflect market conditions and actual historical experience. The expected term for options was based on the results of a Monte Carlo simulation model, using the model's estimated fair value as an input to the Black-Scholes-Merton model, and then solving for the expected term. The risk-free interest rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of the grant. The expected volatility was derived using a term structure based on historical volatility and the volatility implied by exchange-traded options on our common stock. The dividend yield was calculated based on our annual dividend as of the option grant date.

The following table summarizes stock option activity:

	Options Outstanding (in thousands)	Weighted Average Exercise Price	Contractual Term - Weighted Average (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at October 2, 2021	428	\$ 27.72		
Granted	82	35.32		
Exercised	(85)	24.23		\$ 1,615
Forfeited	(60)	29.29		
Outstanding at October 1, 2022	365	30.00		
Granted	97	30.63		
Exercised	(32)	21.29		350
Forfeited	(19)	33.22		
Outstanding at September 30, 2023	411	30.68		
Granted	101	33.22		
Exercised	(38)	30.79		194
Forfeited	(8)	41.86		
Outstanding at September 28, 2024	466	31.03	7.02	1,088
Vested and anticipated to vest in the future at September 28, 2024	453	30.99	6.95	1,087
Exercisable at September 28, 2024	283	30.00	5.67	1,070

Stock option exercises include "net exercises" for which the optionee received shares of common stock equal to the intrinsic value of the options (fair market value of common stock on the date of exercise less exercise price) reduced by any applicable withholding taxes.

Restricted stock units. Restricted stock units (“RSUs”) granted under our equity incentive plan are valued based upon the fair market value on the date of the grant and provide for a dividend equivalent payment which is included in compensation expense. The vesting period for RSUs is generally one year from the date of the grant for RSUs granted to directors and three years from the date of the grant for RSUs granted to employees. RSUs do not have voting rights. RSU grants and compensation expense are as follows:

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
<i>(In thousands)</i>			
Restricted stock unit grants:			
Units	52	57	43
Market value	\$ 1,769	\$ 1,738	\$ 1,563
Compensation expense	1,730	1,392	1,365

As of September 28, 2024, there was \$1.1 million of unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted average period of 1.75 years.

The following table summarizes RSU activity:

	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value <i>(in thousands)</i>
<i>(Unit amounts in thousands)</i>			
Balance, October 2, 2021	129	\$ 24.73	
Granted	43	35.93	
Forfeited	(3)	22.09	
Vested	(49)	22.17	\$ 1,773
Balance, October 1, 2022	120	29.88	
Granted	57	30.53	
Forfeited	(10)	30.36	
Vested	(62)	25.71	1,911
Balance, September 30, 2023	105	35.07	
Granted	52	33.56	
Vested	(38)	33.02	1,322
Balance, September 28, 2024	119	32.96	

(10) Income Taxes

The components of the provision for income taxes are as follows:

(Dollars in thousands)	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Provision for income taxes:			
Current:			
Federal	\$ 1,425	\$ 8,320	\$ 33,377
State	362	782	3,012
	1,787	9,102	36,389
Deferred:			
Federal	3,843	335	627
State	352	(97)	(300)
	4,195	238	327
Income taxes	\$ 5,982	\$ 9,340	\$ 36,716
Effective income tax rate	23.7%	22.4%	22.7%

The reconciliation between income taxes computed at the federal statutory rate and the provision for income taxes is as follows:

(Dollars in thousands)	Year Ended					
	September 28, 2024		September 30, 2023		October 1, 2022	
Provision for income taxes at federal statutory rate	\$ 5,310	21.0%	\$ 8,768	21.0%	\$ 33,963	21.0%
State income taxes, net of federal tax benefit	518	2.0	548	1.3	2,108	1.3
Stock-based compensation	68	0.3	(55)	(0.1)	(255)	(0.2)
Valuation allowance	146	0.6	(29)	(0.1)	(41)	(0.0)
Nondeductible expenses and other, net	(60)	(0.2)	108	0.3	941	0.6
Provision for income taxes	\$ 5,982	23.7%	\$ 9,340	22.4%	\$ 36,716	22.7%

The components of deferred tax assets and liabilities are as follows:

(In thousands)	September 28, 2024	September 30, 2023
Deferred tax assets:		
Defined benefit plans	\$ 2,765	\$ 2,551
Accrued expenses and asset reserves	1,406	2,392
Stock-based compensation	1,423	1,288
R & E Capitalization	226	125
Operating lease liabilities	378	434
State net operating loss carryforwards and tax credits	3	158
Valuation allowance	(149)	(3)
Deferred tax assets	6,052	6,945
Deferred tax liabilities:		
Plant and equipment	(15,090)	(12,143)
Prepaid insurance	(1,240)	(1,123)
Right-of-use assets	(381)	(435)
Goodwill	(976)	(787)
Deferred tax liabilities	(17,687)	(14,488)
Net deferred tax liability	\$ (11,635)	\$ (7,543)

As of September 28, 2024 and September 30, 2023, we recorded net deferred tax liabilities (net of valuation allowances) of \$11.6 million and \$7.5 million, respectively, in other liabilities on our consolidated balance sheet. We have \$316,000 of state NOLs that begin to expire in 2031, but principally expire between 2031 and 2039.

The realization of our deferred tax assets is entirely dependent upon our ability to generate future taxable income in applicable jurisdictions. GAAP requires that we periodically assess the need to establish a reserve against our deferred tax assets to the extent we no longer believe it is more likely than not that they will be fully realized. As of September 28, 2024, we recorded a valuation allowance of \$149,000 pertaining to various deferred tax assets that were not expected to be utilized. The valuation allowance is subject to periodic review and adjustment based on changes in facts and circumstances. The \$146,000 increase in the valuation allowance during 2024 is primarily due to a state deferred tax asset that is not expected to be utilized.

As of September 28, 2024, we had no material, known tax exposures that required the establishment of contingency reserves for uncertain tax positions.

We classify interest and penalties related to unrecognized tax benefits as part of income tax expense. There were no interest and penalties related to unrecognized tax benefits incurred during 2024, 2023 and 2022.

We file U.S. federal income tax returns as well as state and local income tax returns in various jurisdictions. Federal and various state tax returns filed subsequent to 2019 remain subject to examination.

(11) Employee Benefit Plans

Supplemental retirement benefit plan. We have SRBAs with certain of our key employees (each, a “Participant”). Under the SRBAs, if the Participant remains in continuous service with us for a period of at least 30 years, we will pay the Participant a supplemental retirement benefit for the 15-year period following the Participant’s retirement equal to 50% of the Participant’s highest average annual base salary for five consecutive years in the 10-year period preceding the Participant’s retirement. If the Participant retires prior to the later of age 65 or the completion of 30 years of continuous service with us, but has completed at least 10 years of continuous service, the amount of the Participant’s supplemental retirement benefit will be reduced by 1/360th for each month short of 30 years that the Participant was employed by us.

The reconciliation of the projected benefit obligation, plan assets, funded status and amounts recognized for the SRBAs in our consolidated balance sheets is as follows:

(In thousands)	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 11,532	\$ 11,779	\$ 12,888
Service cost	252	333	399
Interest cost	590	518	347
Actuarial loss (gain)	428	(900)	(1,650)
Distributions	(280)	(198)	(205)
Benefit obligation at end of year	<u>\$ 12,522</u>	<u>\$ 11,532</u>	<u>\$ 11,779</u>
Change in plan assets:			
Actual employer contributions	\$ 280	\$ 198	\$ 205
Actual distributions	(280)	(198)	(205)
Plan assets at fair value at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status to net amount recognized:			
Funded status	\$ (12,522)	\$ (11,532)	\$ (11,779)
Net amount recognized	<u>\$ (12,522)</u>	<u>\$ (11,532)</u>	<u>\$ (11,779)</u>
Amounts recognized in accumulated other comprehensive loss:			
Unrecognized net loss	\$ 801	\$ 373	\$ 1,285
Net amount recognized	<u>\$ 801</u>	<u>\$ 373</u>	<u>\$ 1,285</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss (gain)	\$ 428	\$ (900)	\$ (1,650)
Amortization of net loss	-	(13)	(278)
Total recognized in other comprehensive income	<u>\$ 428</u>	<u>\$ (913)</u>	<u>\$ (1,928)</u>

In 2024, 2023 and 2022, the actuarial loss (gain) includes amounts resulting from changes in actuarial assumptions utilized to calculate our benefit plan obligation such as the discount rate, estimated future compensation levels and changes in plan participants.

The accumulated benefit obligation was \$11.4 million and \$10.6 million as of September 28, 2024 and September 30, 2023, respectively.

Net periodic pension cost for the SRBAs consists of the following components included in SG&A expense:

(In thousands)	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Service cost	\$ 252	\$ 333	\$ 399
Interest cost	590	518	347
Amortization of net loss	-	13	278
Net periodic pension cost	<u>\$ 842</u>	<u>\$ 864</u>	<u>\$ 1,024</u>

The assumptions used in the valuation of the SRBAs are as follows:

	Measurement Date		
	September 28, 2024	September 30, 2023	October 1, 2022
Assumptions at year-end:			
Discount rate	5.00%	5.25%	4.50%
Rate of increase in compensation levels	3.00%	3.00%	3.00%

The assumed discount rate is established as of our fiscal year-end measurement date. In establishing the discount rate, we review published market indices of high-quality debt securities, adjusted as appropriate for duration, and high-quality bond yield curves applicable to the expected benefit payments of the SRBAs. The SRBAs expected rate of increase in compensation levels is based on the anticipated increases in annual compensation.

The projected benefit payments under the SRBAs are as follows:

Fiscal year(s)	In thousands
2025	\$ 944
2026	869
2027	869
2028	869
2029	967
2030-2034	4,795

Retirement savings plan. In 1996, we adopted the Retirement Savings Plan of Insteel Industries Inc. (the “Plan”) to provide retirement benefits and stock ownership for our employees. The Plan is an amendment and restatement of our Employee Stock Ownership Plan. As allowed under Sections 401(a) and 401(k) of the Internal Revenue Code, the Plan provides for tax-deferred salary deductions for eligible employees.

The Plan allows for discretionary contributions to be made by us as determined by the Board of Directors, which are allocated among eligible participants based on their compensation relative to the total compensation of all participants. Employees are permitted to contribute up to 75% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. We match employee contributions up to 100% of the first 1% and 50% of the next 5% of eligible compensation that is contributed by employees. Our contributions to the Plan were \$1.7 million in each of the periods ended September 28, 2024, September 30, 2023 and October 1, 2022.

Voluntary Employee Beneficiary Associations (“VEBA”). We have a VEBA which allows both us and our employees to make contributions to pay for medical costs. Our contributions to the VEBA were \$6.5 million in 2024, \$6.5 million in 2023 and \$5.4 million in 2022. We are primarily self-insured for our employee’s healthcare costs, carrying stop-loss insurance coverage for individual claims in excess of \$200,000 per benefit plan year. Our self-insurance liabilities are based on the total estimated costs of claims filed and claims incurred but not reported, less amounts paid against such claims. We review current and historical claims data in developing our estimates.

(12) Commitments and Contingencies

Purchase commitments. As of September 28, 2024, we had \$43.4 million in non-cancelable purchase commitments for raw material extending as long as approximately 120 days and \$2.1 million of contractual commitments for the purchase of certain equipment that had not been fulfilled and are not reflected in our consolidated financial statements.

Legal proceedings. We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. We do not expect the ultimate outcome or cost to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Severance and change of control agreements. We have entered into a severance agreement with our Chief Executive Officer that provides him with certain termination benefits in the event his employment with us is terminated without cause. The initial term of the agreement was two years, and it automatically renews for successive one-year terms unless we or our Chief Executive Officer provide notice of termination as specified in the agreement. In the event of termination of the Chief Executive Officer’s employment without cause, this agreement provides that he would receive termination benefits equal to one and one-half times his annual base salary in effect on the termination date and the continuation of health and welfare benefits for eighteen months. In addition, all of his stock options and restricted stock units would vest immediately, and outplacement services would be provided.

We have also entered into change in control agreements with key members of management, including our executive officers, which specify the terms of separation in the event that termination of their employment followed a change in control. The initial term of each agreement is two years, and they automatically renew for successive one-year terms unless we or the executive provide notice of termination as specified in the agreement. The agreements do not provide assurances of continued employment or specify the terms of an executive's termination should one occur in the absence of a change in control. The compensation payable under the terms of these agreements differs between the Chief Executive Officer and the other covered executives. In the event of termination of the Chief Executive Officer within two years of a change of control, he would receive severance benefits equal to two times base compensation, two times the average bonus for the prior three years and the continuation of health and welfare benefits for two years. In the event of such a termination of the other key members of management, including our other four executive officers, within two years of a change of control, they would receive severance benefits equal to one times base compensation, one times the average bonus for the prior three years and the continuation of health and welfare benefits for one year. In addition, for any covered executive that is terminated within two years of a change of control, all of their stock options and restricted stock units would vest immediately, and outplacement services would be provided.

(13) Leases

We use operating leases for certain equipment, office space and vehicles. We determine whether an arrangement is a lease at its inception if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases with an initial term of twelve months or less are not recorded on our consolidated balance sheet. Lease expense for operating leases with original terms of more than twelve months was \$1.3 million in 2024, \$1.3 million in 2023 and \$1.4 million in 2022.

Most of our leases include options to extend or terminate the leases which are exercised at our sole discretion. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate as of the commencement date in determining the present value of lease payments, which represents an estimate of the interest rate we would incur at the lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term.

Supplemental cash flow and non-cash information related to leases is as follows:

<i>(In thousands)</i>	September 28, 2024	September 30, 2023
Cash paid for operating leases included in operating cash flows	\$ 1,348	\$ 1,261
Right-of-use assets obtained in exchange for new lease obligations	946	1,547

Supplemental balance sheet information related to leases is as follows:

<i>(In thousands)</i>	September 28, 2024	September 30, 2023
Right-of-use assets:		
Other assets	\$ 1,703	\$ 1,939
Lease liabilities:		
Accrued expenses	\$ 877	\$ 999
Other liabilities	811	936
Total operating lease liabilities	\$ 1,688	\$ 1,935

The weighted average remaining lease terms and discount rates for operating leases are as follows:

	September 28, 2024	September 30, 2023
Weighted average lease term (in years)	2.0	2.2
Weighted average discount rate	8.4%	7.1%

Aggregate future operating lease payments as of September 28, 2024, are as follows:

<i>(In thousands)</i>	
2025	\$ 980
2026	698
2027	151
2028	-
2029	-
Total future operating lease payments	1,829
Less: imputed interest	(141)
Present value of operating lease liabilities	<u>\$ 1,688</u>

(14) Earnings Per Share

The computation of basic and diluted earnings per share attributable to common shareholders is as follows:

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
<i>(In thousands, except per share amounts)</i>			
Net earnings	\$ 19,305	\$ 32,415	\$ 125,011
Basic weighted average shares outstanding	19,502	19,504	19,517
Dilutive effect of stock-based compensation	73	62	112
Diluted weighted average shares outstanding	<u>19,575</u>	<u>19,566</u>	<u>19,629</u>
Net earnings per share:			
Basic	\$ 0.99	\$ 1.66	\$ 6.41
Diluted	0.99	1.66	6.37

Options and RSUs that were antidilutive and not included in the diluted EPS calculation amounted to 37,000 shares in 2024, 69,000 shares in 2023 and 49,000 shares in 2022.

(15) Business Segment Information

Our operations are entirely focused on the manufacture and marketing of steel wire reinforcing products for concrete construction applications. Our concrete reinforcing products consist of two product lines: PC strand and WWR. Based on the criteria specified in ASC Topic 280, "Segment Reporting", we have one reportable segment.

Our net sales by geographic region are as follows:

	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
<i>(In thousands)</i>			
Net sales:			
United States	\$ 526,696	\$ 643,156	\$ 820,641
Foreign	2,502	6,032	6,191
Total	<u>\$ 529,198</u>	<u>\$ 649,188</u>	<u>\$ 826,832</u>

Our sales by product line are as follows:

<i>(In thousands)</i>	Year Ended		
	September 28, 2024	September 30, 2023	October 1, 2022
Net sales:			
Welded wire reinforcement	\$ 305,769	\$ 375,771	\$ 495,401
Prestressed concrete strand	223,429	273,417	331,431
Total	<u>\$ 529,198</u>	<u>\$ 649,188</u>	<u>\$ 826,832</u>

There were no customers that accounted for 10% or more of our net sales in 2024, 2023 or 2022.

(16) Other Financial Data

Balance sheet information:

<i>(In thousands)</i>	September 28, 2024	September 30, 2023
Accounts receivable, net:		
Accounts receivable	\$ 58,689	\$ 63,735
Less allowance for credit losses	(381)	(311)
Total	<u>\$ 58,308</u>	<u>\$ 63,424</u>
Inventories:		
Raw materials	\$ 36,782	\$ 39,341
Work in process	6,139	5,852
Finished goods	45,919	58,113
Total	<u>\$ 88,840</u>	<u>\$ 103,306</u>
Other current assets:		
Prepaid insurance	\$ 4,503	\$ 4,043
Income taxes receivable	1,357	-
Other	2,748	2,410
Total	<u>\$ 8,608</u>	<u>\$ 6,453</u>
Other assets:		
Cash surrender value of life insurance policies	\$ 12,610	\$ 10,586
Right-of-use assets	1,703	1,939
Capitalized financing costs, net	125	175
Other	194	111
Total	<u>\$ 14,632</u>	<u>\$ 12,811</u>
Property, plant and equipment, net:		
Land and land improvements	\$ 15,333	\$ 15,107
Buildings	60,014	56,653
Machinery and equipment	227,232	198,528
Construction in progress	4,279	18,019
	306,858	288,307
Less accumulated depreciation	(181,318)	(168,293)
Total	<u>\$ 125,540</u>	<u>\$ 120,014</u>
Accrued expenses:		
Salaries, wages and related expenses	\$ 3,448	\$ 5,082
Property taxes	1,987	1,912
Customer rebates	1,895	2,132
Operating lease liabilities	877	999
Sales allowance reserves	521	745
Deferred compensation	433	299
State sales and use taxes	227	268
Income taxes	-	187
Other	159	185
Total	<u>\$ 9,547</u>	<u>\$ 11,809</u>
Other liabilities:		
Deferred compensation	\$ 12,217	\$ 11,374
Deferred income taxes	11,635	7,543
Operating lease liabilities	811	936
Total	<u>\$ 24,663</u>	<u>\$ 19,853</u>

(17) Product Warranties

Our products are used in applications which are subject to inherent risks including performance deficiencies, personal injury, property damage, environmental contamination or loss of production. We warrant our products to meet certain specifications, and actual or claimed deficiencies from these specifications may give rise to claims. We do not maintain a reserve for warranties as the historical claims have been immaterial. We maintain product liability insurance coverage to minimize our exposure to such risks.

(18) Share Repurchases

On November 18, 2008, our Board of Directors approved a share repurchase authorization to buy back up to \$25.0 million of our outstanding common stock (the "Authorization"). Under the Authorization, repurchases may be made from time to time in the open market or in privately negotiated transactions subject to market conditions, applicable legal requirements and other factors. We are not obligated to acquire any particular amount of common stock, and the program may be commenced or suspended at any time at our discretion without prior notice. The Authorization continues in effect until terminated by the Board of Directors. Share repurchases of the Company's common stock under the Authorization were \$1.8 million or 58,099 shares in 2024, \$2.3 million or 80,352 shares in 2023 and \$1.2 million or 41,706 shares in 2022. As of September 28, 2024, there was \$19.4 million remaining available for future share repurchases under this Authorization.

(19) Subsequent Events

On October 21, 2024, the Company, through its wholly-owned subsidiary, IWP, entered into an Asset Purchase Agreement pursuant to which it has acquired substantially all of the assets, other than cash and accounts receivable, of EWP, a leading manufacturer of welded wire reinforcement products for use in nonresidential and residential construction, and certain related assets of Liberty Steel Georgetown Inc. ("LSG"), for a purchase price of approximately \$70.0 million, subject to certain adjustments (the "Acquisition"). Under the terms of the Acquisition, Insteel acquired, among other assets, EWP's inventories and production equipment and EWP's Upper Sandusky, Ohio and Warren, Ohio production facilities. Insteel also acquired certain equipment of LSG located in Georgetown, South Carolina, but such Georgetown facility was otherwise excluded from the Acquisition. The Acquisition purchase price is subject to an adjustment based on EWP's closing inventory balance. The Acquisition was funded with cash on hand. The Acquisition will be accounted for in accordance with ASC Topic 805, "Business Combinations", with the assets acquired recorded at their fair values as of the acquisition date. Based on the timing of the Acquisition and lack of available information, we determined it to be impracticable to disclose a preliminary purchase price allocation at this time.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
CONSOLIDATED FINANCIAL STATEMENTS**

Board of Directors and Shareholders
Insteel Industries Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Insteel Industries Inc. (a North Carolina corporation) and subsidiaries (the “Company”) as of September 28, 2024 and September 30, 2023, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended September 28, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 28, 2024 and September 30, 2023, and the results of its operations and its cash flows for each of the three years in the period ended September 28, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of September 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated October 24, 2024 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined there are no critical audit matters.

/s/ Grant Thornton LLP

We have served as the Company’s auditor since 2002.

Charlotte, North Carolina
October 24, 2024

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have conducted an evaluation of the effectiveness of our disclosure controls and procedures as of September 28, 2024. This evaluation was conducted under the supervision and with the participation of management, including our principal executive officer and our principal financial officer. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Furthermore, we concluded that our disclosure controls and procedures were effective to ensure that such information is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes: (1) maintaining records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets; (2) providing reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations of management and directors; and (3) providing reasonable assurance that unauthorized acquisition, use or disposition of assets that could have a material effect on financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting can only provide reasonable assurance that a misstatement of financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 Internal Control – Integrated Framework. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of September 28, 2024. During the quarter ended September 28, 2024, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our independent registered public accounting firm has issued an audit report on the effectiveness of our internal control over financial reporting as of September 28, 2024, which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Shareholders
Insteel Industries Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Insteel Industries Inc. (a North Carolina corporation) and subsidiaries (the “Company”) as of September 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 28, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended September 28, 2024, and our report dated October 24, 2024 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

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

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

/s/ Grant Thornton LLP

Charlotte, North Carolina
October 24, 2024

Item 9B. Other Information.*Insider Adoption or Termination of Trading Arrangements*

During the fiscal quarter ended September 28, 2024, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

The information called for by this item and not presented herein appears under the captions “Item Number One: Election of Directors”, “Security Ownership of Directors and Executive Officers – Delinquent Section 16(a) Reports” and “Corporate Governance Guidelines and Board Matters” in our Proxy Statement for the 2025 Annual Meeting of Shareholders and is incorporated herein by reference. Information on executive officers appears under the caption “Information About Our Executive Officers” in Part I of this Annual Report.

We have adopted a Code of Business Conduct that applies to all directors, officers and employees, which is available on our website at <https://investor.insteel.com>. To the extent permissible under applicable law (the rules of the SEC or NYSE listing standards), we intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting on our website any amendment or waiver to a provision of our Code of Business Conduct that requires disclosure under applicable law (the rules of the SEC or NYSE listing standards). Our website does not constitute part of this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information called for by this item appears under the captions “Executive Compensation”, “Compensation Committee Interlocks and Insider Participation” and “Director Compensation” in our Proxy Statement for the 2025 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this item appears under the captions “Security Ownership of Certain Beneficial Owners”, “Security Ownership of Directors and Executive Officers” and “Equity Compensation Plan Information” in our Proxy Statement for the 2025 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information called for by this item appears under the captions “Certain Relationships and Related Person Transactions” and “Corporate Governance Guidelines and Board Matters” in our Proxy Statement for the 2025 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information called for by this item appears under the caption “Item Number Three: Ratification of the Appointment of Grant Thornton LLP as our Independent Registered Public Accounting Firm” in our Proxy Statement for the 2025 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV**Item 15. Exhibits, Financial Statement Schedules.****(a)(1) Financial Statements**

The financial statements as set forth under Item 8 are filed as part of this report.

(a)(2) Financial Statement Schedules

All other schedules have been omitted because they are either not required or not applicable.

(a)(3) Exhibits

The list of exhibits filed as part of this annual report is set forth on the Exhibit Index immediately preceding the signatures to this annual report and is incorporated herein by reference.

(b) Exhibits

See Exhibit Index on pages 49 and 50.

(c) Financial Statement Schedules

See Item 15(a)(2) above.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Articles of Incorporation for the Company (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 filed on May 2, 1985).
3.2	Articles of Amendment to the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated May 3, 1988).
<u>3.3</u>	<u>Articles of Amendment to the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 1999 filed on May 14, 1999).</u>
<u>3.4</u>	<u>Articles of Amendment to the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 filed on April 26, 2010).</u>
<u>3.5</u>	<u>Bylaws of the Company (as last amended August 15, 2023) (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on August 15, 2023).</u>
<u>4.1</u>	<u>Description of Securities (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed on October 25, 2019).</u>
<u>10.1</u>	<u>Third Amended and Restated Credit Agreement dated as of May 15, 2019, among Insteel Wire Products Company, as Borrower; Insteel Industries, Inc., as a Credit Party; and Wells Fargo Bank, as Agent and Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 16, 2019).</u>
<u>10.2</u>	<u>Guaranty and Second Amended and Restated Security Agreement dated as of May 15, 2019, among Insteel Industries, Inc., Insteel Wire Products Company, Intercontinental Metals Corporation, and Wells Fargo Bank, as administrative agent (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed May 16, 2019).</u>
<u>10.3</u>	<u>First Amendment to Third Amended and Restated Credit Agreement dated as of March 15, 2023, among Insteel Wire Products Company, as Borrower; Insteel Industries, Inc., as Parent, and Wells Fargo Bank, N.A., as Agent and Lender (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 17, 2023).</u>
<u>10.4*</u>	<u>Amended and Restated Change in Control Severance Agreement between Insteel Industries Inc. and H.O. Woltz III dated November 14, 2006.</u>
<u>10.5*</u>	<u>Amended and Restated Severance Agreement between Insteel Industries Inc. and H.O. Woltz III dated November 14, 2006.</u>
<u>10.6*</u>	<u>Form of Change in Control Severance Agreement between Insteel Industries Inc. and certain of its executive officers and schedule of all such agreements with current executive officers.</u>
<u>10.7*</u>	<u>Form of Retirement Security Agreement between Insteel Industries Inc. and certain of its executive officers and schedule of all such agreements with current executive officers.</u>
<u>10.8*</u>	<u>Summary of amendments to the Insteel Industries, Inc. Director Compensation Plan (incorporated by reference to exhibit 10.23 of the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008 filed on November 18, 2008).</u>
<u>10.9*</u>	<u>Insteel Industries, Inc. Return on Capital Incentive Compensation Plan (as amended and restated effective August 12, 2008) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 13, 2009).</u>
<u>10.10*</u>	<u>2015 Equity Incentive Plan of Insteel Industries, Inc. (incorporated by reference to Exhibit 99 filed with the Company's Registration Statement on Form S-8, filed with the SEC on February 17, 2015 (File No. 333-202128)).</u>
<u>10.11*</u>	<u>Form of Stock Option Agreement under the 2015 Equity Incentive Plan of Insteel Industries, Inc. (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed on October 25, 2019).</u>
<u>10.12*</u>	<u>2019 Declaration of Amendment to 2015 Equity Incentive Plan of Insteel Industries, Inc. (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed on February 28, 2020 (File No. 333-236744)).</u>
<u>10.13*</u>	<u>Form of Restricted Stock Unit Agreement under the 2015 Equity Incentive Plan of Insteel Industries, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on March 21, 2022).</u>
<u>10.14*</u>	<u>Form of Stock Option Agreement under the 2015 Equity Incentive Plan of Insteel Industries, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on March 21, 2022).</u>
<u>10.15*</u>	<u>Form of Stock Option Agreement under the 2015 Equity Incentive Plan of Insteel Industries, Inc.</u>
<u>19.1</u>	<u>Insteel Industries Inc. Insider Trading Policy</u>
<u>21.1</u>	<u>List of Subsidiaries of Insteel Industries, Inc. at September 28, 2024.</u>
<u>23.1</u>	<u>Consent of Independent Registered Public Accounting Firm.</u>
<u>24.1</u>	<u>Powers of Attorney (included on the signature pages hereto).</u>
<u>31.1</u>	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
<u>97.1</u>	<u>Insteel Industries, Inc. Clawback Policy for Executive Officers (incorporated by reference to Exhibit 97.1 of the Company's Annual Report on Form 10-K filed on October 26, 2023).</u>
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended September 28, 2024, filed on October 24, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language) includes: (i) the Consolidated Statements of Operations for the years ended September 28, 2024, September 30, 2023, and October 1, 2022, (ii) the Consolidated Statements of Comprehensive Income for the years ended September 28, 2024, September 30, 2023, and October 1, 2022, (iii) the Consolidated Balance Sheets as of September 28, 2024, and September 30, 2023, (iv) the Consolidated Statements of Cash Flows for the years ended September 28, 2024, September 30, 2023 and October 1, 2022, (v) the Consolidated Statements of Shareholders' Equity as of September 28, 2024, September 30, 2023, and October 1, 2022 and (vi) the Notes to Consolidated Financial Statements.
104	The cover page from our Annual Report on Form 10-K for the year ended September 28, 2024, filed October 24, 2024, formatted in iXBRL (included in Exhibit 101).

*Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 1-09929.

SIGNATURES

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

INSTEEL INDUSTRIES INC.

Registrant

Date: October 24, 2024

By: /s/ Scot R. Jafroodi

Scot R Jafroodi

Vice President, Chief Financial Officer and

Treasurer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally H.O. Woltz III, Scot R. Jafroodi and Elizabeth C. Southern, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on October 24, 2024 below by the following persons on behalf of the registrant and in the capacities indicated:

<u>Name and Signature</u>	<u>Position(s)</u>
<u>/s/ H. O. WOLTZ III</u> H. O. WOLTZ III	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
<u>/s/ SCOT R. JAFROODI</u> SCOT R. JAFROODI	Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
<u>/s/ ABNEY S. BOXLEY III</u> ABNEY S. BOXLEY III	Director
<u>/s/ ANNE H. LLOYD</u> ANNE H. LLOYD	Director
<u>/s/ W. ALLEN ROGERS II</u> W. ALLEN ROGERS II	Director
<u>/s/ JON M. RUTH</u> JON M. RUTH	Director
<u>/s/ JOSEPH A. RUTKOWSKI</u> JOSEPH A. RUTKOWSKI	Director
<u>/s/ G. KENNEDY THOMPSON</u> G. KENNEDY THOMPSON	Director

**AMENDED AND RESTATED CHANGE IN
CONTROL SEVERANCE AGREEMENT**

THIS AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT (the “Agreement”) is made and entered into this 14th day of November, 2006, between INSTEEL INDUSTRIES, INC., a North Carolina corporation (the “Company”), and H.O. Woltz III (the “Executive”). This Agreement amends, restates and supersedes the Change in Control Severance Agreement between the Company and the Executive dated May 20, 2003. Certain capitalized terms used in this Agreement are defined in Section 6.

RECITALS

The Company acknowledges that Executive is expected to make significant contributions to the growth and success of the Company. The Company also acknowledges that there exists the possibility of a Change in Control of the Company. The Company recognizes that the possibility of a Change in Control may contribute to uncertainty on the part of senior management and may result in the departure or distraction of senior management from their operating responsibilities.

Strong and competent management of the Company is essential to advancing the best interests of the Company and its partners and its shareholders. In the event of a threat or occurrence of a bid to acquire or change control of the Company or to effect a business combination, it is particularly important that the business of the Company be continued with a minimum of disruption. The Company believes that the objective of securing and retaining strong management will be achieved if the Company’s key management employees are given assurances of employment security so that they will not be distracted by personal uncertainties and risks created by such circumstances. The purpose of this amended and restated Agreement is to amend and restate the Change in Control Severance Agreement between the Executive and the Company dated May 20, 2003 to take into account Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein, the Company and Executive agree as follows:

1. **Effective Date.** The Effective Date of this Agreement is the date set forth above.
 2. **Term of Agreement.** The Term of this Agreement begins on the Effective Date and ends on the day before May 20, 2007. Notwithstanding the preceding sentence, the Term of this Agreement shall be extended for an additional twelve month period, as of each anniversary of May 20, 2007, unless either party gives written notice, at least ninety days prior to the applicable anniversary, that the Term of this Agreement will not be extended.
-

3. **Right to Receive Termination Benefits.** Executive shall be entitled to receive the Termination Benefits described in Section 4 if the requirements of any of the following subsections (a), (b) or (c) are satisfied:

(a) Executive shall be entitled to receive the Termination Benefits if (i) a Change in Control occurs during the Term of this Agreement and (ii) within two years after the Control Change Date either (x) the Company terminates Executive's employment with the Company without Cause or (y) Executive resigns from the employment of the Company and Executive has Good Reason to resign from the Company.

(b) Executive shall be entitled to receive the Termination Benefits if (i) a Change in Control occurs during the Term of this Agreement and (ii) Executive resigns for any reason or no reason during a thirty-day period that begins on the first anniversary after the Control Change Date.

(c) Executive shall be entitled to receive the Termination Benefits if (i) during the Term of this Agreement the Company terminates Executive's employment without Cause and (ii) Executive's employment is terminated in contemplation of a Change in Control.

No amounts will be payable under this Agreement unless Executive's employment with the Company terminates or is terminated as described in one of the foregoing subsections and either (a), (b) or (c), as applicable, constitutes a Separation from Service with the Company.

4. **Termination Benefits.** Upon a termination of Executive's employment in accordance with Section 3, Executive shall be entitled to receive the following payments and benefits (the "Termination Benefits"):

(a) A lump sum payment of any accrued but unpaid salary from the Company through the date Executive's employment terminates.

(b) A lump sum payment of any bonus that has been earned from the Company but which remains unpaid as of Executive's termination of employment.

(c) A lump sum payment of two times Executive's base salary at the rate in effect on the date of Executive's termination of employment or, if greater, the rate in effect on the Control Change Date.

(d) A lump sum bonus payment equal to two times the average bonus paid to Executive for the three-year period prior to Executive's termination of employment.

(e) Reasonable outplacement services provided by the firm selected by Executive, the cost of which will be paid by the Company; provided, however, that the Company's obligation under this subsection (e) will not exceed \$15,000.

(f) A lump sum reimbursement for any expenses Executive incurred on behalf of the Company prior to termination of employment to the extent that such expenses are reimbursable under the Company's standard reimbursement policies but have not been reimbursed as of Executive's termination of employment.

(g) Continued participation in the “employee welfare benefit plans” (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which Executive participates immediately prior to Executive’s date of termination, on such terms as are then in effect, for two years following the termination of Executive’s employment with the Company and payment by the Company of the entire cost or premium for continued coverage in the Company health plan for a period of two years following Executive’s termination of employment. In the event that the continued coverage of Executive in any such employee welfare benefit plan, including without limitation, the Company health plan, is barred by its terms, the Company shall pay Executive, for two years following Executive’s termination of employment, the cash equivalent of the portion of the insurance premium or other cost charged to the Company for Executive’s participation in such employee welfare benefit plan(s), including the entire insurance premium or other cost for coverage in the Company health plan, prior to Executive’s termination of employment, plus an additional amount such that after payment of the income and employment tax liability on such payment, Executive retains an amount equal to the portion of the insurance premium or other cost charged to the Company for Executive’s participation in such employee welfare benefit plans, including the entire insurance premium or other cost for coverage in the Company health plan, prior to Executive’s termination of employment. Except as provided in Section 19, such cash payments, in lieu of coverage, shall be made in accordance with the Company’s normal payroll practices during such two-year period beginning with the first payroll payment date following the Executive’s termination of employment.

(h) All stock options and any other stock-based awards outstanding immediately prior to Executive’s termination of employment shall immediately vest and become exercisable by Executive for the remainder of the term provided for in the agreement evidencing the stock option or award in which such options or other stock-based awards were granted.

(i) Except as provided in Section 19, lump sum Termination Benefits shall be payable within 45 days of Executive’s termination of employment in accordance with Section 3 and the other Termination Benefits shall be payable as described above. The payment of the Termination Benefits shall be reduced by amounts required to be withheld for applicable income and employment taxes.

5. **Limitation on Parachute Payments.** The Termination Benefits and other payments, distributions and benefits provided by the Company for Executive’s benefit pursuant to this Agreement and under other plans, programs, and agreements may constitute Parachute Payments (as defined in Section 280G(b) of the Code that are subject to the “golden parachute” rules of Code section 280G and the excise tax of Code section 4999. The Company and Executive intend to reduce any Parachute Payments (but not any payment, distribution or other benefit that is not a Parachute Payment) if, and only to the extent that, a reduction will allow Executive to receive a greater Net After Tax Amount than he would receive absent a reduction. The remaining provisions of this Section describe how that intent will be effectuated.

(a) The Company will first determine the amount of any Parachute Payments that are payable to Executive. The Company will also determine the Net After Tax Amount attributable to total Parachute Payments.

(b) The Company will next determine the amount of Executive’s Capped Parachute Payments. Thereafter, the Company will determine the Net After Tax Amount attributable to Executive’s Capped Parachute Payments.

(c) Executive shall receive the total Parachute Payments unless the Company determines that the Capped Parachute Payments will yield Executive a higher Net After Tax Amount, in which case Executive will receive the Capped Parachute Payments. If Executive will receive the Capped Parachute Payments, the total Parachute Payments will be adjusted by first reducing the amount payable under any other plan, program, or agreement that, by its terms, requires a reduction to prevent a “golden parachute” payment under Code section 280G; by next reducing Executive’s benefit, if any, under this Agreement, to the extent it is a Parachute Payment; and thereafter by reducing Parachute Payments payable under other plans and agreements (with the reductions first coming from cash benefits and then from noncash benefits). The Company will notify Executive if it determines that the Parachute Payments must be reduced to the Capped Parachute Payments and will send Executive a copy of its detailed calculations supporting that determination. The Company will pay Executive the Termination Benefits or the reduced Termination Benefits as determined in this Section 5 as described in Sections 4 and 19.

6. **Certain Definitions.** As used in this Agreement, certain terms have the definitions set forth below.

(a) Acquiring Person means that a Person, considered alone or together with all Control Affiliates and Associates of that Person, is or becomes directly or indirectly the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing at least twenty five percent (25%) of the Company’s then outstanding securities entitled to vote generally in the election of the Board.

(b) Associate, with respect to any Person, is defined in Rule 12b-2 under the Exchange Act; provided, however, that an Associate shall not include the Company or a majority-owned affiliate of the Company.

(c) Board means the Board of Directors of the Company.

(d) Capped Parachute Payments means the largest amount of Parachute Payments that may be paid without liability for any excise tax under Code section 4999.

(e) Cause means (i) willful, deliberate and continued failure by Executive (other than for reason of mental or physical illness) to perform his duties as established by the Board, or fraud or dishonesty in connection with such duties, in either case, if such conduct has a materially detrimental effect on the business operations of the Company; (ii) a material breach by Executive of his fiduciary duties of loyalty or care to the Company; (iii) conviction of any crime (or upon entering a plea of guilty or nolo contendere to a charge of any crime) constituting a felony; (iv) misappropriation of the Company’s funds or property; or (v) willful, flagrant, deliberate and repeated infractions of material published policies and regulations of the Company of which Executive has actual knowledge.

(f) Change in Control means (i) a Person is or becomes an Acquiring Person; (ii) holders of the securities of the Company entitled to vote thereon approve any agreement with a Person (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such an agreement) that involves the transfer of more than fifty percent (50%) of the Company's and its affiliates' total assets on a consolidated basis, as reported in the Company's consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of the Company entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such a transaction) pursuant to which the Company will undergo a merger, consolidation, or statutory share exchange with a company, regardless of whether the Company is intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange, *other than* a transaction that results in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior to the closing of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the Company's voting securities carrying the right to vote in elections of persons to the Board, or such securities of such surviving entity, outstanding immediately after the closing of such transaction; (iv) the Continuing Directors cease for any reason to constitute a majority of the Board; (v) holders of the securities of the Company entitled to vote thereon approve a plan of complete liquidation of the Company or an agreement for the sale or liquidation by the Company or its affiliates of substantially all of the assets of the Company and its affiliates (or, if such approval is not required by applicable law and is not solicited by the Company, the commencement of actions constituting such a plan or the closing of such an agreement); or (vi) the Board adopts a resolution to the effect that, in its judgment, as a consequence of any one or more transactions or events or series of transactions or events, a Change in Control of the Company has effectively occurred.

(g) Continuing Director means any member of the Board, while a member of the Board and (i) who was a member of the Board on the Effective Date or (ii) whose nomination for or election to the Board was recommended or approved by a majority of the Continuing Directors.

(h) Control Affiliate, with respect to any Person, means an affiliate as defined in Rule 12b-2 under the Exchange Act.

(i) Control Change Date means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions or events, the "Control Change Date" is the date of the last of such transactions or events in the series.

(j) Exchange Act means the Securities Exchange Act of 1934, as amended.

(k) Good Reason means Executive's resignation from the employment of the Company and its affiliates on account of one or more of the following events:

(i) a material diminution by the Board of the duties, functions and responsibilities of Executive as the PRESIDENT/CHIEF EXECUTIVE OFFICER of the Company without his consent;

(ii) the failure of the Company to permit Executive to exercise such responsibilities as are consistent with Executive's positions or are of a nature as are usually associated with such offices of a corporation engaged in substantially the same business as the Company;

(iii) the Company's causing Executive to relocate his employment more than fifty (50) miles from Mt. Airy, North Carolina, without the consent of Executive;

(iv) the failure of the Company to make a payment when due or, if later, within 10 days after Executive has made demand for such payment;

(v) the Company's reduction of Executive's (A) annual base salary, as in effect from time to time after the Effective Date; (B) bonus, such that the aggregate threshold, target, or maximum bonus projected for Executive for a fiscal year is lower than the aggregate threshold, target, or maximum bonus, respectively, projected for Executive for the immediately preceding fiscal year; or (C) employee welfare, fringe or pension benefits, other than reductions determined to be necessary to comply with the Employee Retirement Income Security Act of 1974, as amended, or to retain the tax-qualified or tax-favored status of the benefit under the Code, which determination shall be made by the Board in good faith;

(vi) a breach of Section 10 of this Agreement;

(vii) the Company or the Board directs Executive to engage in unlawful or unethical conduct or conduct contrary to the Company's good business practices.

(l) Net After Tax Amount means the amount of any Parachute Payments or Capped Parachute Payments, as applicable, net of taxes imposed under Code sections 1, 3101(b) and 4999 and any state or local income taxes applicable as in effect on the date of the payment under Section 5 of this Agreement. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Parachute Payments, as applicable, in effect for the year for which the determination is made.

(m) Person means any human being, firm, corporation, partnership, or other entity. "Person" also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. The term "Person" does not include the Company, or any Related Entity, and the term Person does not include any employee-benefit plan maintained by the Company or any Related Entity, and any person or entity organized, appointed, or established by the Company or any Related Entity for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan or such person or entity is a "Person".

(n) Related Entity means any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of section 1563(a), 414(b) or 414(c) of the Code.

(o) Separation from Service means the termination of the Executive's employment with the Company and all Related Entities; provided, however, that the Executive will not be considered as having had a Separation from Service if (i) the Executive continues to provide services to the Company or any Related Entity as an employee at an annual rate that is at least equal to 20 percent of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is at least equal to 20 percent of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period), (ii) the Executive continues to provide services to the Company or any Related Entity in a capacity other than as an employee and such services are provided at an annual rate that is 50 percent or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is 50 percent or more of the annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period) or (iii) the Executive is on military leave, sick leave or other bona fide leave of absence (such as temporary employment by the government) so long as the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Company or any Related Entity is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the Separation from Service will be deemed to occur on the first date immediately following such six-month period. For purposes of this Section 6(o), the annual rate of providing services shall be determined based upon the measurement used to determine the Executive's base compensation. This definition of Separation from Service is intended to comply with the definition of "separation from service" as used in Section 409A(a)(2)(A)(i) of the Code and shall be interpreted accordingly.

(p) Specified Employee generally means an employee who is (i) an officer of the Company or a Related Entity having annual compensation greater than \$140,000 (with certain adjustments for inflation after 2006), (ii) a five-percent owner of the Company or a Related Entity or (iii) a one-percent owner of the Company or a Related Entity having annual compensation greater than \$150,000. This definition is intended to comply with the "specified employee" rules of Section 409A(a)(2)(B)(i) of the Code and shall be interpreted accordingly.

7. **Attorneys' Fees.** Executive shall be entitled to reimbursement by the Company for any attorneys' fees and any other reasonable expenses that Executive incurs in enforcing or protecting his rights under this Agreement. Subject to Section 19, such reimbursement shall be made within thirty days following final resolution of the dispute or occurrence giving rise to such fees and expenses, regardless of whether Executive is deemed the prevailing party in the resolution of the dispute or occurrence.

8. **No Assignment.** Except as required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law and any attempt to effect any such action shall be null, void and of no effect.

9. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina other than its choice of law provisions to the extent that they would require the application of the laws of a State other than the State of North Carolina.

10. **Successors.** The Company shall require any successor to all or substantially all of the Company's respective business or assets (whether direct or indirect, by purchase, merger, consolidation or otherwise), to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to resign from the employ of the Company and to receive the Termination Benefits and other benefits under this Agreement in the same amount and on the same terms as Executive would be entitled to hereunder if he terminated his employment for Good Reason following a Change in Control. References in this Agreement to the "Company" include the Company as herein before defined and any successor to the Company's business, assets or both which assumes and agrees to perform this Agreement by operation of law or otherwise.

11. **Binding Agreement.** This Agreement shall inure to the benefit of and be enforceable by Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive dies while any amount remains payable to him hereunder, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there is none, to Executive's estate.

12. **No Employment Rights.** Nothing in this Agreement confers on Executive any right to continuance of employment by the Company or any Related Entity. Nothing in this Agreement interferes with the right of the Company or a Related Entity to terminate Executive's employment at any time for any reason whatsoever, with or without Cause, subject to the requirements of this Agreement. Nothing in this Agreement restricts the right of Executive to terminate his employment with the Company and Related Entities at any time for any reason whatsoever, with or without Good Reason.

13. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together constitute one and the same instrument.

14. **Entire Agreement.** This Agreement expresses the whole and entire agreement between the parties with reference to the payment of the Termination Benefits and supersedes and replaces any prior agreement, understanding or arrangement (whether oral or written) by or between the Company and Executive with respect to the payment of the Termination Benefits.

15. **Notices.** All notices, requests and other communications to any party under this Agreement shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify for the purpose by notice to the other party:

If to Executive:

696 Montclair Drive
Mount Airy, North Carolina 27030

If to the Company:

Insteel Industries, Inc.
1373 Boggs Drive
Mt. Airy, North Carolina 27030

Each notice, request or other communication shall be effective if (i) given by mail, seventy-two hours after such communication is deposited in the mails with first class postage prepaid, address as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Section 15.

16. **Modification of Agreement.** No waiver or modification of this Agreement shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence at any proceeding, arbitration or litigation between the parties unless such waiver or modification is in writing, and duly executed. The parties agree that this Section 16 may not be waived except as herein set forth.

17. **Recitals.** The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement.

18. **Section 409A.** This Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be construed and interpreted in accordance therewith. Notwithstanding the preceding, the Company and its Related Entities shall not be liable to the Executive or any other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any amount under this Agreement is subject to taxes, penalties or interest as a result of failing to comply with Section 409A of the Code.

19. **Delay of Payment.** Notwithstanding any other provision of this Agreement, if the Executive is a Specified Employee, to the extent necessary to comply with Section 409A of the Code, no payments or benefits (which are not otherwise exempt) may be paid or provided hereunder before the date which is six months after the Executive's Separation from Service or, if earlier, his death. The amounts which would have otherwise been required to be paid, and the benefits which would have otherwise been provided, during such six months or, if earlier, until Executive's death, shall be paid to Executive in one lump sum cash payment as soon as administratively practical after the date which is six months after Executive's Separation from Service or, if earlier, after the Executive's death. Any other payments scheduled to be made or benefits scheduled to be provided after such period shall be made or provided at the times otherwise designated in this Agreement disregarding the delay of payment for the payments and benefits described in this Section 19.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

H. O. Woltz III

/s/ H.O. Woltz III

INSTEEL INDUSTRIES, INC.

By: /s/ Gary D. Kniskern

Name: Gary D. Kniskern

Title: Vice President Administration

AMENDED AND RESTATED SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT (the "Agreement") is made and entered into this the 14th day of November, 2006, between INSTEEL INDUSTRIES, INC., a North Carolina corporation (the "Company"), and H.O. Woltz III (the "Executive"). This Agreement amends, restates and supersedes the Severance Agreement between the Executive and the Company dated December 2, 2004. Certain capitalized terms used in this Agreement are defined in Section 6.

R E C I T A L S

The Company acknowledges that Executive has made and is expected to make significant contributions to the growth and success of the Company. The Company also acknowledges that Executive is employed on an at-will basis and that the possibility of a termination without Cause may contribute to uncertainty on the part of Executive and may result in the departure or distraction of Executive from his operating responsibilities.

Outstanding management of the Company is always essential to advancing the best interests of the Company and its partners and its shareholders. The Company believes that the objective of securing and retaining outstanding management will be achieved if the Company's key management employees are given assurances against the risk of a termination without Cause so that they will not be distracted by personal uncertainties and risks created by such circumstances. The purpose of this amended and restated Agreement is to amend and restate the severance agreement between the Executive and the Company dated December 2, 2004 to take into account Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein, the Company and Executive agree as follows:

1. **Effective Date.** The Effective Date of this Agreement is the date set forth above.
 2. **Term of Agreement.** The Term of this Agreement begins on the Effective Date and ends on the day before December 2, 2007. Notwithstanding the preceding sentence, the Term of this Agreement shall be extended for an additional twelve month period, as of each anniversary of December 2, 2007, unless either party gives written notice, at least ninety days prior to the applicable anniversary, that the Term of this Agreement will not be extended.
 3. **Right to Receive Termination Benefits.** Executive shall be entitled to receive the Termination Benefits described in Section 4 if, during the Term of this Agreement, Executive's employment with the Company (and all Related Entities of the Company) is terminated without Cause by the Company (or any Related Entity of the Company). No amounts will be payable under this Agreement unless Executive's employment with the Company (and its Related Entities) terminates or is terminated for any reason other than as described in the preceding sentence and such termination of employment constitutes a Separation from Service as defined below.
-

4. **Termination Benefits.** Upon a termination of Executive's employment in accordance with Section 3, Executive shall be entitled to receive the following Termination Benefits:

- (a) A lump sum payment of any accrued but unpaid salary from the Company through the date Executive's employment terminates;
- (b) A lump sum payment of any bonus that has been earned from the Company but which remains unpaid as of Executive's termination of employment;
- (c) A lump sum payment of one and one-half times Executive's annual base salary at the rate in effect on the date of Executive's termination of employment;
- (d) Reasonable outplacement services provided by the firm selected by Executive, the cost of which will be paid by the Company; provided, however, that the Company's obligation under this subsection (d) will not exceed \$15,000;
- (e) A lump sum reimbursement for any expenses Executive incurred on behalf of the Company prior to termination of employment to the extent that such expenses are reimbursable under the Company's standard reimbursement policies but have not been reimbursed as of Executive's termination of employment;
- (f) Continued participation in the "employee welfare benefit plans" (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which Executive participates immediately prior to Executive's date of termination on such terms as are then in effect for eighteen months following the termination of Executive's employment with the Company and payment by the Company of the entire cost or premium for continued coverage pursuant to Section 4980B of the Code in the Company health plan for a period of eighteen months following Executive's termination (or such lesser period that Executive is entitled to such continued coverage). In the event that the continued coverage of Executive in any such employee welfare benefit plan or the Company health plan is barred by its terms, the Company shall pay Executive, for the eighteen months following Executive's termination (or the remainder of the eighteen month period in which continued coverage is barred) or for such lesser period during which Executive might have been entitled to such continued coverage, the cash equivalent of the portion of the insurance premium charged to the Company for Executive's participation in such employee welfare benefit plan(s) and/or the entire premium for continued coverage in the Company's health plan prior to Executive's termination plus an additional amount such that after payment of the income and employment tax liability on such payment, Executive retains an amount equal to the portion of the insurance premium charged to the Company for Executive's participation in such employee welfare benefit plan(s) and the entire premium for continued coverage in the Company's health plan prior to Executive's termination of employment.
- (g) All stock options and any other stock-based awards outstanding immediately prior to Executive's termination of employment shall immediately vest and become exercisable by Executive for the remainder of the term provided for in the agreement evidencing the stock option or award in which such options or other stock-based awards were granted.

Except as provided in Section 20, Termination Benefits payable in a lump sum shall be payable within ten days of Executive's termination of employment in accordance with Section 3 and the other Termination Benefits shall be paid as described above. The payment of the Termination Benefits shall be reduced by amounts required to be withheld for applicable income and employment taxes.

5. **Limitation on Parachute Payments.** The Termination Benefits and other payments, distributions and benefits provided by the Company for Executive's benefit pursuant to this Agreement and under other plans, programs, and agreements may constitute Parachute Payments (as defined in Section 280G(b) of the Code that are subject to the "golden parachute" rules of Code Section 280G and the excise tax of Code Section 4999. The Company and Executive intend to reduce any Parachute Payments (but not any payment, distribution or other benefit that is not a Parachute Payment) if, and only to the extent that, a reduction will allow Executive to receive a greater Net After Tax Amount than he would receive absent a reduction. The remaining provisions of this subsection describe how that intent will be effectuated.

(a) The Company will first determine the amount of any Parachute Payments that are payable to Executive. The Company will also determine the Net After Tax Amount attributable to total Parachute Payments.

(b) The Company will next determine the amount of Executive's Capped Parachute Payments. Thereafter, the Company will determine the Net After Tax Amount attributable to Executive's Capped Parachute Payments.

(c) Executive shall receive the total Parachute Payments unless the Company determines that the Capped Parachute Payments will yield Executive a higher Net After Tax Amount, in which case Executive will receive the Capped Parachute Payments. If Executive will receive the Capped Parachute Payments, the total Parachute Payments will be adjusted by first reducing the amount payable under any other plan, program, or agreement that, by its terms, requires a reduction to prevent a "golden parachute" payment under Code Section 280G; by next reducing Executive's benefit, if any, under this Agreement, to the extent it is a Parachute Payment; and thereafter by reducing Parachute Payments payable under other plans and agreements (with the reductions first coming from cash benefits and then from noncash benefits). The Company will notify Executive if it determines that the Parachute Payments must be reduced to the Capped Parachute Payments and will send Executive a copy of its detailed calculations supporting that determination. The Company will pay Executive the Termination Benefits or the reduced Termination Benefits determined in this Section 5 as described in Sections 4 and 20.

6. **Certain Definitions.** As used in this Agreement, certain terms have the definitions set forth below.

(a) Capped Parachute Payments means the largest amount of Parachute Payments that may be paid without liability for any excise tax under Code Section 4999.

(b) Cause means (i) willful, deliberate and continued failure by Executive (other than for reason of mental or physical illness) to perform his duties as established by the Board, or fraud or dishonesty in connection with such duties, in either case, if such conduct has a materially detrimental effect on the business operations of the Company; (ii) a material breach by Executive of his fiduciary duties of loyalty or care to the Company; (iii) conviction of any crime (or upon entering a plea of guilty or nolo contendere to a charge of any crime) constituting a felony; (iv) misappropriation of the Company's funds or property; or (v) willful, flagrant, deliberate and repeated infractions of material published policies and regulations of the Company of which Executive has actual knowledge.

(c) Net After Tax Amount means the amount of any Parachute Payments or Capped Parachute Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any state or local income taxes applicable as in effect on the date of the payment under this Agreement. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Parachute Payments, as applicable, in effect for the year for which the determination is made.

(d) Related Entity means any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code.

(e) Separation from Service means the termination of the Executive's employment with the Company and all Related Entities; provided, however, that the Executive will not be considered as having had a Separation from Service if (i) the Executive continues to provide services to the Company or any Related Entity as an employee at an annual rate that is at least equal to 20 percent of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is at least equal to 20 percent of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period), (ii) the Executive continues to provide services to the Company or any Related Entity in a capacity other than as an employee and such services are provided at an annual rate that is 50 percent or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is 50 percent or more of the annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period) or (iii) the Executive is on military leave, sick leave or other bona fide leave of absence (such as temporary employment by the government) so long as the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Company or any Related Entity is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the Separation from Service will be deemed to occur on the first date immediately following such six-month period. For purposes of this Section 6(e), the annual rate of providing services shall be determined based upon the measurement used to determine the Executive's base compensation. This definition of Separation from Service is intended to comply with the definition of "separation from service" as used in Section 409A(a)(2)(A)(i) of the Code and shall be interpreted accordingly.

(f) Specified Employee generally means an employee who is (i) an officer of the Company or a Related Entity having annual compensation greater than \$140,000 (with certain adjustments for inflation after 2006), (ii) a five-percent owner of the Company or a Related Entity or (iii) a one-percent owner of the Company or a Related Entity having annual compensation greater than \$150,000. This definition is intended to comply with the "specified employee" rules of Section 409A(a)(2)(B)(i) of the Code and shall be interpreted accordingly.

7. **No Duplication of Benefits.** No benefits shall be payable under this Agreement if Executive becomes entitled to receive benefits under the “Change in Control Severance Agreement” between Executive and the Company dated May 20, 2003 or any successor agreement. Additionally, the Company and the Executive may be parties to other agreements, policies, plans, programs or arrangements relating to the Executive’s employment. In such an event, this Agreement shall be construed and interpreted so that severance pay and benefits are provided under this Agreement only to the extent that similar amounts of severance and benefits are not paid or provided to the Executive under any other agreements, policies, plans, programs or arrangements; it being the intent of this Agreement not to provide to the Executive any duplicative payments of severance pay or other benefits. The Company, in its sole discretion, shall determine whether payments or other benefits to the Executive under any other such agreements, policies, plans, programs or arrangements shall constitute duplicative payments of severance pay or benefits hereunder. In the event the Company determines that payments or other benefits to the Executive under any other such agreements, policies, plans, programs or arrangements constitute duplicative payments, the severance pay or benefits otherwise payable under this Agreement shall be reduced to the extent of such duplicative payments.

8. **Attorneys’ Fees.** Executive shall be entitled to reimbursement by the Company for any attorneys’ fees and any other reasonable expenses that Executive incurs in enforcing or protecting his rights under this Agreement. Subject to Section 20, such reimbursement shall be made within thirty days following final resolution of the dispute or occurrence giving rise to such fees and expenses, regardless of whether Executive is deemed the prevailing party in the resolution of the dispute or occurrence.

9. **No Assignment.** Except as required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law and any attempt to effect any such action shall be null, void and of no effect.

10. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina other than its choice of law provisions to the extent that they would require the application of the laws of a State other than the State of North Carolina.

11. **Successors.** The Company shall require any successor to all or substantially all of the Company’s respective business or assets (whether direct or indirect, by purchase, merger, consolidation or otherwise), to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to resign from the employ of the Company and to receive the Termination Benefits and other benefits under this Agreement in the same amount and on the same terms as Executive would be entitled to hereunder if his employment was terminated in accordance with Section 3. References in this Agreement to the “Company” include the Company as herein before defined and any successor to the Company’s business, assets or both which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. **Binding Agreement.** This Agreement shall inure to the benefit of and be enforceable by Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive dies while any amount remains payable to him hereunder, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there is none, to Executive's estate.

13. **No Employment Rights.** Nothing in this Agreement confers on Executive any right to continuance of employment by the Company or any Related Entity or any right to receive or continue to receive any rate of pay or other compensation. Nothing in this Agreement interferes with the right of the Company or a Related Entity to terminate Executive's employment at any time for any reason whatsoever, with or without Cause, subject to the requirements of this Agreement. Nothing in this Agreement restricts the right of Executive to terminate his employment with the Company and Related Entities at any time for any reason whatsoever, with or without good reason.

14. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together constitute one and the same instrument.

15. **Entire Agreement.** This Agreement expresses the whole and entire agreement between the parties with reference to the payment of the Termination Benefits and supersedes and replaces any prior agreement, understanding or arrangement (whether oral or written) by or between the Company and Executive with respect to the payment of the Termination Benefits.

16. **Notices.** All notices, requests and other communications to any party under this Agreement shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify for the purpose by notice to the other party:

If to Executive:	696 Montclair Drive Mount Airy, NC 27030
If to the Company:	Insteel Industries, Inc. 1373 Boggs Drive Mt. Airy, North Carolina 27030

Each notice, request or other communication shall be effective if (i) given by mail, seventy-two hours after such communication is deposited in the mails with first class postage prepaid, address as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Section 16.

17. **Modification of Agreement.** No waiver or modification of this Agreement shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence at any proceeding, arbitration or litigation between the parties unless such waiver or modification is in writing, and duly executed. The parties agree that this Section 17 may not be waived except as herein set forth.

18. **Recitals.** The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement.

19. **Section 409A.** This Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be construed and interpreted in accordance therewith. Notwithstanding the preceding, the Company and its Related Entities shall not be liable to the Executive or any other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any amount under this Agreement is subject to taxes, penalties or interest as a result of failing to comply with Section 409A of the Code.

20. **Delay of Payment.** Notwithstanding any other provision of this Agreement, if the Executive is a Specified Employee, to the extent necessary to comply with Section 409A of the Code, no payments or benefits (which are not otherwise exempt) may be paid or provided hereunder before the date which is six months after the Executive's Separation from Service or, if earlier, his death. The amounts which would have otherwise been required to be paid, and the benefits which would have otherwise been provided, during such six months or, if earlier, until Executive's death, shall be paid to Executive in one lump sum cash payment as soon as administratively practical after the date which is six months after Executive's Separation from Service or, if earlier, after the Executive's death. Any other payments scheduled to be made or benefits scheduled to be provided after such period shall be made or provided at the times otherwise designated in this Agreement disregarding the delay of payment for the payments and benefits described in this Section 20.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

/s/ H.O. Woltz III

INSTEEL INDUSTRIES, INC.

By: /s/ Gary D. Kniskern

Name: Gary D. Kniskern

Title: Vice President Administration

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT (the “Agreement”) is made and entered into this ____ day of _____, between INSTEEL INDUSTRIES INC. a North Carolina corporation (the “Company”) and _____ (the “Executive”). Certain capitalized terms used in this Agreement are defined in Section 6.

R E C I T A L S

The Company acknowledges that Executive is expected to make significant contributions to the growth and success of the Company. The Company also acknowledges that there exists the possibility of a Change in Control of the Company. The Company recognizes that the possibility of a Change in Control may contribute to uncertainty on the part of senior management and may result in the departure or distraction of senior management from their operating responsibilities.

Strong and competent management of the Company is essential to advancing the best interests of the Company and its partners and its shareholders. In the event of a threat or occurrence of a bid to acquire or change control of the Company or to effect a business combination, it is particularly important that the business of the Company be continued with a minimum of disruption. The Company believes that the objective of securing and retaining strong management will be achieved if the Company’s key management employees are given assurances of employment security so that they will not be distracted by personal uncertainties and risks created by such circumstances.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein the Company and Executive agree as follows:

1. **Effective Date.** The Effective Date of this Agreement is _____.
 2. **Term of Agreement.** The Term of this Agreement begins on the Effective Date and ends on the day before the second anniversary of the Effective Date. Notwithstanding the preceding sentence, the Term of this Agreement shall be extended for an additional twelve month period, as of each anniversary of the Effective Date, unless either party gives written notice, at least ninety days prior to the applicable anniversary of the Effective Date, that the Term of this Agreement will not be extended.
 3. **Right to Receive Termination Benefits.** Executive shall be entitled to receive the Termination Benefits described in Section 4 if (i) a Change in Control occurs during the Term of this Agreement and (ii) within two years after the Control Change Date either (x) the Company terminates Executive’s employment with the Company without Cause or (y) Executive resigns from the employment of the Company and Executive has Good Reason to resign from the Company, and either (x) or (y), as applicable, constitutes a Separation from Service with the Company.
-

No amounts will be payable under this Agreement unless Executive's employment with the Company terminates or is terminated as described in the foregoing subsection.

4. **Termination Benefits.** Upon a termination of Executive's employment in accordance with Section 3, Executive shall be entitled to receive the following payments and benefits ("Termination Benefits"):

- (a) A lump sum payment of any accrued but unpaid salary from the Company through the date Executive's employment terminates.
- (b) A lump sum payment of any bonus that has been earned from the Company but which remains unpaid as of Executive's termination of employment.
- (c) A lump sum reimbursement for any expenses Executive incurred on behalf of the Company prior to termination of employment to the extent that such expenses are reimbursable under the Company's standard reimbursement policies but have not been reimbursed as of Executive's termination of employment.
- (d) Continued payment of Executive's base salary, for one year following Executive's termination, at the rate in effect on the date of Executive's termination of employment or, if greater, at the rate in effect on the Control Change Date. Except as provided in Section 19, such payments shall be made in accordance with the Company's normal payroll practices beginning with the first payroll payment date following the Executive's termination of employment.
- (e) A lump sum payment equal to one times the average bonus paid to the Executive for the three -year period prior to the Executive's termination of employment; provided, however, that if the Executive has not been employed for a full three years at the time of her termination of employment, Executive shall receive, in lieu of the foregoing amount, a lump sum payment equal to her annual base salary at the rate in effect on the date of Executive's termination of employment or, if greater, at the rate in effect on the Control Change Date, multiplied by the average bonus percentage for the immediately preceding three years for the executive management group of the Company (not including the Executive).
- (f) Reasonable outplacement services provided by the firm selected by Executive, the cost of which will be paid by the Company; provided, however, that the Company's obligation under this subsection (f) will not exceed \$15,000.

(g) Continued participation in the “employee welfare benefit plans” (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) in which Executive participates immediately prior to Executive’s date of termination, on such terms as are then in effect, for one year following the termination of Executive’s employment with the Company and payment by the Company of the cost or premium for continued coverage in the Company health plan for a period of one year following Executive’s termination of employment. In the event that the continued coverage of Executive in any such employee welfare benefit plan, including without limitation the Company health plan, is barred by its terms, the Company shall pay Executive, for one year following Executive’s termination of employment, the cash equivalent of the portion of the insurance premium or other cost charged to the Company for Executive’s participation in such employee welfare benefit plan(s), including the entire insurance premium or other cost for coverage in the Company health plan, prior to Executive’s termination of employment, plus an additional amount such that, after payment of the income and employment tax liability on such payment, Executive retains an amount equal to the portion of the insurance premium or other cost charged to the Company for Executive’s participation in such employee welfare benefit plans, including the entire insurance premium or other cost for coverage in the Company health plan, prior to Executive’s termination of employment. Except as provided in Section 19, such cash payments, in lieu of coverage, shall be made in accordance with the Company’s normal payroll practices during such one-year period beginning with the first payroll payment date following the Executive’s termination of employment.

(h) All stock options and any other stock-based awards outstanding immediately prior to Executive’s termination of employment shall immediately vest and become exercisable by Executive for the remainder of the term provided for in the agreement evidencing the stock option or award in which such options or other stock-based awards were granted.

(i) Except as provided in Section 19, lump sum Termination Benefits shall be payable within 45 days of Executive’s termination of employment in accordance with Section 3 and the other Termination Benefits shall be payable as described above. The payment of the Termination Benefits shall be reduced by amounts required to be withheld for applicable income and employment taxes.

5. **Limitation on Parachute Payments.** The Termination Benefits and other payments, distributions and benefits provided by the Company for Executive’s benefit pursuant to this Agreement and under other plans, programs, and agreements may constitute Parachute Payments (as defined in Section 280G(b) of the Internal Revenue Code of 1986 (the “Code”) that are subject to the “golden parachute” rules of Code section 280G and the excise tax of Code section 4999. The Company and Executive intend to reduce any Parachute Payments (but not any payment, distribution or other benefit that is not a Parachute Payment) if, and only to the extent that, a reduction will allow Executive to receive a greater Net After Tax Amount than she would receive absent a reduction. The remaining provisions of this Section describe how that intent will be effectuated.

(a) The Company will first determine the amount of any Parachute Payments that are payable to Executive. The Company will also determine the Net After Tax Amount attributable to total Parachute Payments.

(b) The Company will next determine the amount of Executive’s Capped Parachute Payments. Thereafter, the Company will determine the Net After Tax Amount attributable to Executive’s Capped Parachute Payments.

(c) Executive shall receive the total Parachute Payments unless the Company determines that the Capped Parachute Payments will yield Executive a higher Net After Tax Amount, in which case Executive will receive the Capped Parachute Payments. If Executive will receive the Capped Parachute Payments, the total Parachute Payments will be adjusted by first reducing the amount payable under any other plan, program, or agreement that, by its terms, requires a reduction to prevent a “golden parachute” payment under Code section 280G; by next reducing Executive’s benefit, if any, under this Agreement, to the extent it is a Parachute Payment; and thereafter by reducing Parachute Payments payable under other plans and agreements (with the reductions first coming from cash benefits and then from noncash benefits). The Company will notify Executive if it determines that the Parachute Payments must be reduced to the Capped Parachute Payments and will send Executive a copy of its detailed calculations supporting that determination. The Company will pay Executive the Termination Benefits or the reduced Termination Benefits determined in this Section 5 as described in Sections 4 and 19.

6. **Certain Definitions.** As used in this Agreement, certain terms have the definitions set forth below.

(a) Acquiring Person means that a Person, considered alone or together with all Control Affiliates and Associates of that Person, is or becomes directly or indirectly the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing at least twenty five percent (25%) of the Company’s then outstanding securities entitled to vote generally in the election of the Board.

(b) Associate, with respect to any Person, is defined in Rule 12b-2 under the Exchange Act; provided, however, that an Associate shall not include the Company or a majority-owned affiliate of the Company.

(c) Board means the Board of Directors of the Company.

(d) Capped Parachute Payments means the largest amount of Parachute Payments that may be paid without liability for any excise tax under Code section 4999.

(e) Cause means (i) willful, deliberate and continued failure by Executive (other than for reason of mental or physical illness) to perform her duties as established by the Board, or fraud or dishonesty in connection with such duties, in either case, if such conduct has a materially detrimental effect on the business operations of the Company; (ii) a material breach by Executive of her fiduciary duties of loyalty or care to the Company; (iii) conviction of any crime (or upon entering a plea of guilty or nolo contendere to a charge of any crime) constituting a felony; (iv) misappropriation of the Company’s funds or property; or (v) willful, flagrant, deliberate and repeated infractions of material published policies and regulations of the Company of which Executive has actual knowledge.

(f) Change in Control means (i) a Person is or becomes an Acquiring Person; (ii) holders of the securities of the Company entitled to vote thereon approve any agreement with a Person (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such an agreement) that involves the transfer of more than fifty percent (50%) of the Company's and its affiliates' total assets on a consolidated basis, as reported in the Company's consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of the Company entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such a transaction) pursuant to which the Company will undergo a merger, consolidation, or statutory share exchange with a company, regardless of whether the Company is intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange, *other than* a transaction that results in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior to the closing of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the Company's voting securities carrying the right to vote in elections of persons to the Board, or such securities of such surviving entity, outstanding immediately after the closing of such transaction; (iv) the Continuing Directors cease for any reason to constitute a majority of the Board; (v) holders of the securities of the Company entitled to vote thereon approve a plan of complete liquidation of the Company or an agreement for the sale or liquidation by the Company or its affiliates of substantially all of the assets of the Company and its affiliates (or, if such approval is not required by applicable law and is not solicited by the Company, the commencement of actions constituting such a plan or the closing of such an agreement); or (vi) the Board adopts a resolution to the effect that, in its judgment, as a consequence of any one or more transactions or events or series of transactions or events, a Change in Control of the Company has effectively occurred.

(g) Continuing Director means any member of the Board, while a member of the Board and (i) who was a member of the Board on the Effective Date or (ii) whose nomination for or election to the Board was recommended or approved by a majority of the Continuing Directors.

(h) Control Affiliate, with respect to any Person, means an affiliate as defined in Rule 12b-2 under the Exchange Act.

(i) Control Change Date means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions or events, the "Control Change Date" is the date of the last of such transactions or events in the series.

(j) Exchange Act means the Securities Exchange Act of 1934, as amended.

(k) Good Reason means Executive's resignation from the employment of the Company and its affiliates on account of one or more of the following events:

(i) a material diminution by the Board of the duties, functions and responsibilities of Executive as the _____ of the Company without her consent;

- (ii) the failure of the Company to permit Executive to exercise such responsibilities as are consistent with Executive's positions or are of a nature as are usually associated with such offices of a corporation engaged in substantially the same business as the Company;
 - (iii) the Company's causing Executive to relocate her employment more than fifty (50) miles from Mt. Airy, North Carolina, or her place of primary residence as of the Effective Date of this Agreement, without the consent of Executive;
 - (iv) the failure of the Company to make a payment to Executive when due or, if later, within 10 days after Executive has made demand for such payment;
 - (v) the Company's material reduction of Executive's (A) annual base salary, as in effect from time to time after the Effective Date; (B) bonus, such that the aggregate threshold, target, or maximum bonus projected for Executive for a fiscal year is lower than the aggregate threshold, target, or maximum bonus, respectively, projected for Executive for the immediately preceding fiscal year; or (C) employee welfare, fringe or pension benefits, other than reductions determined to be necessary to comply with the Employee Retirement Income Security Act of 1974, as amended, or to retain the tax-qualified or tax-favored status of the benefit under the Code, which determination shall be made by the Board in good faith;
 - (vi) a breach of Section 10 of this Agreement;
 - (vii) the Company or the Board directs Executive to engage in unlawful or unethical conduct or conduct contrary to the Company's good business practices.
- (l) Net After Tax Amount means the amount of any Parachute Payments or Capped Parachute Payments, as applicable, net of taxes imposed under Code sections 1, 3101(b) and 4999 and any state or local income taxes applicable as in effect on the date of the payment under Section 5 of this Agreement. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Parachute Payments, as applicable, in effect for the year for which the determination is made.
- (m) Person means any human being, firm, corporation, partnership, or other entity. "Person" also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. The term "Person" does not include the Company, or any Related Entity, and the term Person does not include any employee-benefit plan maintained by the Company or any Related Entity, and any person or entity organized, appointed, or established by the Company or any Related Entity for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan or such person or entity is a "Person".
- (n) Related Entity means any entity that is part of a controlled group of corporations or is under common control with the Company within the meaning of section 1563(a), 414(b) or 414(c) of the Code.

(o) Separation from Service means the termination of the Executive's employment with the Company and all Related Entities; provided, however, that the Executive will not be considered as having had a Separation from Service if (i) the Executive continues to provide services to the Company or any Related Entity as an employee at an annual rate that is at least equal to 20 percent of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is at least equal to 20 percent of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period), (ii) the Executive continues to provide services to the Company or any Related Entity in a capacity other than as an employee and such services are provided at an annual rate that is 50 percent or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is 50 percent or more of the annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period) or (iii) the Executive is on military leave, sick leave or other bona fide leave of absence (such as temporary employment by the government) so long as the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Company or any Related Entity is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the Separation from Service will be deemed to occur on the first date immediately following such six-month period. For purposes of this Section 6(o), the annual rate of providing services shall be determined based upon the measurement used to determine the Executive's base compensation. This definition of Separation from Service is intended to comply with the definition of "separation from service" as used in Section 409A(a)(2)(A)(i) of the Code and shall be interpreted accordingly.

(p) Specified Employee generally means an employee who is (i) an officer of the Company or a Related Entity having annual compensation greater than \$140,000 (with certain adjustments for inflation after 2006), (ii) a five-percent owner of the Company or a Related Entity or (iii) a one-percent owner of the Company or a Related Entity having annual compensation greater than \$150,000. This definition is intended to comply with the "specified employee" rules of Section 409A(a)(2)(B)(i) of the Code and shall be interpreted accordingly.

7. **Attorneys' Fees.** Executive shall be entitled to reimbursement by the Company for any attorneys' fees and any other reasonable expenses that Executive incurs in enforcing or protecting her rights under this Agreement. Subject to Section 19, such reimbursement shall be made within thirty days following final resolution of the dispute or occurrence giving rise to such fees and expenses, regardless of whether Executive is deemed the prevailing party in the resolution of the dispute or occurrence.

8. **No Assignment.** Except as required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law and any attempt to effect any such action shall be null, void and of no effect.

9. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina other than its choice of law provisions to the extent that they would require the application of the laws of a State other than the State of North Carolina.

10. **Successors.** The Company shall require any successor to all or substantially all of the Company's respective business or assets (whether direct or indirect, by purchase, merger, consolidation or otherwise), to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to resign from the employ of the Company and to receive the Termination Benefits and other benefits under this Agreement in the same amount and on the same terms as Executive would be entitled to hereunder if she terminated her employment for Good Reason following a Change in Control. References in this Agreement to the "Company" include the Company as herein before defined and any successor to the Company's business, assets or both which assumes and agrees to perform this Agreement by operation of law or otherwise.

11. **Binding Agreement.** This Agreement shall inure to the benefit of and be enforceable by Executive and her personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive dies while any amount remains payable to her hereunder, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there is none, to Executive's estate.

12. **No Employment Rights.** Nothing in this Agreement confers on Executive any right to continuance of employment by the Company or any Related Entity. Nothing in this Agreement interferes with the right of the Company or a Related Entity to terminate Executive's employment at any time for any reason whatsoever, with or without Cause, subject to the requirements of this Agreement. Nothing in this Agreement restricts the right of Executive to terminate her employment with the Company and Related Entities at any time for any reason whatsoever, with or without Good Reason.

13. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together constitute one and the same instrument.

14. **Entire Agreement.** This Agreement expresses the whole and entire agreement between the parties with reference to the payment of the Termination Benefits and supersedes and replaces any prior agreement, understanding or arrangement (whether oral or written) by or between the Company and Executive with respect to the payment of the Termination Benefits.

15. **Notices.** All notices, requests and other communications to any party under this Agreement shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify for the purpose by notice to the other party:

If to Executive:

If to the Company:

Insteel Industries Inc.
1373 Boggs Drive
Mt. Airy, North Carolina 27030

Each notice, request or other communication shall be effective if (i) given by mail, seventy-two hours after such communication is deposited in the mails with first class postage prepaid, address as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Section 15.

16. **Modification of Agreement.** No waiver or modification of this Agreement shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence at any proceeding, arbitration or litigation between the parties unless such waiver or modification is in writing, and duly executed. The parties agree that this Section 16 may not be waived except as herein set forth.

17. **Recitals.** The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement.

18. **Section 409A.** This Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be construed and interpreted in accordance therewith. Notwithstanding the preceding, the Company and its Related Entities shall not be liable to the Executive or any other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any amount under this Agreement is subject to taxes, penalties or interest as a result of failing to comply with Section 409A of the Code.

19. **Delay of Payment.** Notwithstanding any other provision of this Agreement, if the Executive is a Specified Employee, to the extent necessary to comply with Section 409A of the Code, no payments or benefits (which are not otherwise exempt) may be paid or provided hereunder before the date which is six months after the Executive's Separation from Service or, if earlier, her death. The amounts which would have otherwise been required to be paid, and the benefits which would have otherwise been provided, during such six months or, if earlier, until Executive's death, shall be paid to Executive in one lump sum cash payment as soon as administratively practical after the date which is six months after Executive's Separation from Service or, if earlier, after the Executive's death. Any other payments scheduled to be made or benefits scheduled to be provided after such period shall be made or provided at the times otherwise designated in this Agreement disregarding the delay of payment for the payments and benefits described in this Section 19.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

[Name of Executive]

INSTEEL INDUSTRIES INC.

By: _____
Name:
Title:

Exhibit A

Schedule of Parties to Change in Control Severance Agreement

<u>Name</u>	<u>Date of Agreement</u>
Richard T. Wagner	November 14, 2006
Scot R. Jafroodi	November 14, 2006
James R. York	July 9, 2018
Elizabeth C. Southern	June 5, 2023

**INSTEEL INDUSTRIES INC.
RETIREMENT SECURITY AGREEMENT**

THIS RETIREMENT SECURITY AGREEMENT (the "Agreement"), made and entered into as of the ____ day of ____, 20__ (the "effective date"), by and between **INSTEEL INDUSTRIES INC.**, a corporation located in Mount Airy, North Carolina (the "Corporation"), and ____ (the "Executive");

R E C I T A L S

The Corporation desires to provide supplemental retirement benefits to the Executive separate from and in addition to any other retirement benefits to which the Executive is or may become entitled under any plan of the Corporation or any other agreement between the Executive and the Corporation.

NOW, THEREFORE, the parties hereby agree as follows:

SECTION 1 Purpose.

This Agreement is being entered into by the Corporation to provide the Executive with additional retirement and death benefits for the Executive and his beneficiaries. The Agreement is not intended to be a qualified retirement plan under Section 401(a) of the Code, but it is intended to constitute an arrangement that provides nonqualified deferred compensation within the meaning of Section 409A of the Code. This Agreement is also intended to be a "plan" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to be part of an unfunded plan maintained by the Corporation primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Corporation within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

SECTION 2 Supplemental Retirement Benefit.

2.1 **Normal retirement.** If the Executive remains in continuous service with the Corporation until he completes thirty years of continuous service with the Corporation, but his continuous service terminates for reasons other than death or by the Corporation for "cause" (as defined in Section 2.4), the Corporation shall pay a supplemental retirement benefit to the Executive. The annual amount of the supplemental retirement benefit shall be fifty percent (50%) of the Executive's final average compensation. The supplemental retirement benefit shall be paid in equal installments in accordance with the Corporation's regular payroll practices for executives in effect from time to time, commencing as of the first payroll period ending coincident with or immediately following the Executive's normal retirement date, and continuing for a term certain of fifteen years; except as otherwise provided in Sections 5 or 15. For purposes of this Agreement, unless otherwise indicated by the context:

(i) "Compensation" means the annual rate of gross base compensation in effect for the Executive for service with the Corporation in effect on the last day of the calendar year; provided, that for the year in which the Executive's termination of employment with the Corporation occurs because of retirement or otherwise, his compensation shall be the annual base rate in effect on the date of his termination of employment.

(ii) “Continuous service” means the Executive’s uninterrupted service in the employment of the Corporation in a full-time capacity. The Executive’s continuous service shall not be deemed to be terminated or interrupted by a leave of absence or sick leave not exceeding one year granted to the Executive by the Corporation or any other leave granted to the Executive where Executive’s right to re-employment is guaranteed by statute or by contract.

(iii) “Final average compensation” means the average of the Executive’s compensation as of the last day of each of the five consecutive calendar years during the ten calendar years preceding the Executive’s termination of employment that produces the highest average. If the Executive has not worked during at least five consecutive calendar years during such ten calendar years immediately preceding his termination of employment, the Executive’s final average compensation means the average of his compensation for all of the calendar years he worked for the Corporation during such ten years.

(iv) “Normal retirement date” means the later of (i) the Executive’s sixty-fifth birthday or (ii) the date the Executive terminates continuous service with the Corporation after completing thirty years of continuous service.

(v) “Year of continuous service” means a twelve-month period of continuous service by the Executive, beginning on the Executive’s initial date of employment with the Corporation (and each anniversary thereof), and ending on the day immediately preceding the anniversary of that date.

2.2 Early retirement. If the Executive remains in continuous service with the Corporation until he completes at least ten years of continuous service with the Corporation but his continuous service terminates for reasons other than death or by the Corporation for “cause” (as defined in Section 2.4) after he attains age fifty-five but prior to his normal retirement date, and he has not previously incurred a “disability” (as defined in Section 2.3), the Corporation will pay a supplemental early retirement benefit to the Executive. The annual amount of the supplemental early retirement benefit shall be fifty percent (50%) of the Executive’s final average compensation determined as of the date of his termination of service, reduced by 1/360th for each full calendar month of continuous service less than 360 that the Executive has completed as of that date. The Executive’s supplemental early retirement benefit shall be paid in equal installments in accordance with the Corporation’s regular payroll practices for executives in effect from time to time, commencing as of the first payroll period ending coincident with or immediately following the later of the date the Executive attains age sixty-five or the date the Executive terminates continuous service, and continuing for a term certain of fifteen years; except as otherwise provided in Sections 5 or 15.

2.3 Disability retirement. If the Executive remains in continuous service with the Corporation until he completes at least ten years of continuous service with the Corporation but incurs a “disability” prior to his normal retirement date, the Corporation shall pay a supplemental disability benefit to the Executive. The amount of the supplemental disability benefit shall be as follows: (i) during the period, if any, that the Executive is receiving benefit payments under a long-term disability insurance plan for executives of the Corporation (the “LTD plan”), the amount determined under Section 2.2, treating the date of the Executive’s disability as his early retirement date, provided that such amount, when added to the Executive’s benefit under the LTD plan, shall not exceed one hundred percent (100%) of the Executive’s final average compensation determined as of the date of his termination of service because of disability; and (ii) during any period that the Executive is not receiving benefit payments under the LTD plan, an amount equal to the greater of the Executive’s benefit determined under Section 2.2 as of the date of his disability or fifty percent (50%) of the Executive’s final average compensation. The Executive’s supplemental disability benefit will be paid in equal installments in accordance with the Corporation’s regular payroll practices for executives in effect from time to time, commencing as of the first payroll period ending coincident with or immediately following the date as of which the Executive’s disability is deemed to have occurred, and continuing for a term certain of ten years. For this purpose, “disability” shall mean the Executive is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (ii) is, by reason of any medically determinable physical or medical impairment that can be expected to result in death or that can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Corporation. The determination of the existence or nonexistence of disability under (i) above shall be made by the Executive Compensation Committee of the Board of Directors of the Corporation (the “Compensation Committee”) pursuant to a medical examination by a medical doctor selected or approved by the Compensation Committee and a medical doctor selected or approved by the Executive; provided, that if the two medical doctors shall not agree that the Executive is or is not disabled, the two doctors shall select a third medical doctor to examine the Executive, and such third doctor’s determination of the Executive’s disability shall be conclusive.

2.4 Termination of continuous service for “cause.” Notwithstanding any other provision of this Agreement, if the Corporation terminates the Executive’s continuous service for “cause,” no benefit shall be paid by the Corporation pursuant to this Agreement. For this purpose, “cause” means (i) willful, deliberate and continued failure by the Executive (other than for reason of mental or physical illness) to perform his duties as established by the Board of Directors of the Corporation (the “Board”), or fraud or dishonesty in connection with such duties, in either case, if such conduct has a materially detrimental effect on the business operations of the Corporation; (ii) a material breach by the Executive of his fiduciary duties of loyalty or care to the Corporation; (iii) the conviction of the Executive of any crime (or upon entering a plea of guilty or nolo contendere to a charge of any crime) constituting a felony; (iv) misappropriation of the Corporation’s funds or property by the Executive; or (v) willful, flagrant, deliberate and repeated infractions of material published policies and regulations of the Corporation of which the Executive has actual knowledge. Whether the Executive’s termination is for “cause” shall be determined by the Compensation Committee.

SECTION 3 Death of Executive.

3.1 Death while in continuous service. If the Executive dies while in continuous service with the Corporation, the Corporation will pay a supplemental death benefit to the Executive's beneficiary. The annual amount of the supplemental death benefit shall be fifty percent (50%) of the Executive's final average compensation, determined as of the date of the Executive's death. The Executive's supplemental death benefit provided in this Section 3.1 shall be paid in equal installments in accordance with the Corporation's regular payroll practices for executives in effect from time to time, commencing as of the first payroll period ending coincident with or immediately following the date of the Executive's death and continuing for a term certain of ten years.

3.2 Death after termination of continuous service but before benefit payments commence or death after benefit payments commence. If the Executive dies either (i) after his termination of continuous service for which he is entitled to receive supplemental benefits hereunder but before such supplemental benefit payments commence, or (ii) after the date as of which such supplemental benefit payments have commenced under this Agreement, payment of the Executive's remaining supplemental benefits shall commence or continue, as the case may be, to the Executive's beneficiary following the Executive's death, treating the Executive's beneficiary as the Executive for all purposes under this Agreement.

SECTION 4 Vesting.

4.1 Vesting and forfeiture of benefits. The Executive shall become vested in his supplemental benefits under this Agreement, to the extent accrued as of any date, following the first to occur of his completion of the required years of continuous service with the Corporation to be entitled to the benefit, or the date of his termination of continuous service because of death. The Executive shall not be vested in his supplemental benefits under this Agreement if he terminates service with the Corporation prior to completing the required years of continuous service to be entitled to the benefit for any reason other than death. Notwithstanding the foregoing, the Executive shall forfeit any benefits earned and vested under this Agreement if his continuous service with the Corporation is terminated by the Corporation for cause (as defined in Section 2.4).

Accelerated vesting. Notwithstanding any other provision of this Agreement, the Compensation Committee may, with the approval of the Board, direct that all or part of the Executive's supplemental benefits under this Agreement shall be nonforfeitable as of any date prior to the Executive's normal retirement date on such terms and conditions as the Compensation Committee shall determine.

SECTION 5 Deferral of Payment Date.

The Compensation Committee and the Executive may agree to establish a new date for payment of the Executive's supplemental benefits under Sections 2.1 and 2.2 that is after the dates otherwise set forth therein (referred to herein as his "subsequent payment date"); provided, that such subsequent payment date satisfies the conditions of this Section 5. For a subsequent payment date to be effective, (i) the Executive and the Compensation Committee must agree on the subsequent payment date not less than 12 months prior to the date the first payment for the particular payment event is scheduled to be made, (ii) the agreement establishing the subsequent payment date must not take effect for at least 12 months and (iii) the subsequent payment date must extend the first payment that would have been made (other than on death or disability) for a period of not less than five years from the date such payment for the particular payment event otherwise would have been made. If a subsequent payment date is established pursuant to this Section 5, this Agreement shall be administered in all respects as if such subsequent payment date was the date specified in Sections 2.1 or 2.2, except that the supplemental retirement benefit described in Sections 2.1 and 2.2, and to which the Executive would otherwise be entitled, shall be adjusted actuarially by the Compensation Committee to reflect any delay in the commencement of benefits beyond the Executive's attainment of age 65. For purposes of making such adjustment, the Compensation Committee shall apply actuarial assumptions agreed to by the Executive at the time the subsequent payment date is set.

SECTION 6 Change of Control.

In the event that a Change of Control of the Corporation occurs prior to the date that payment of the Executive's benefit commences under this Agreement, then notwithstanding any other provision of this Agreement, and in lieu of the benefits payable under Section 2 or Section 3, the Executive shall be fully vested in his accrued benefit and the Corporation shall pay the lump sum present value of such accrued benefit to the Executive in a single cash payment within thirty (30) days of the effective date of the Change of Control. For purposes of this Section 6, the term "Change of Control of the Corporation" shall include all events described in Section 1.409A-3 of the Treasury Regulations in effect from time to time. The lump sum present value of the Executive's accrued benefit shall be based on the accumulated benefit obligation on the Change of Control date, as determined by the Corporation's actuary in accordance with generally accepted accounting principles.

SECTION 7 Beneficiary.

The Executive's beneficiary shall be the person or persons designated by the Executive on the beneficiary designation form provided by and filed with the Compensation Committee or its designee. If the Executive does not designate a beneficiary, his beneficiary shall be his surviving spouse. If the Executive does not designate a beneficiary and has no surviving spouse, the beneficiary shall be the Executive's estate. The designation of a beneficiary may be changed or revoked only by filing a new beneficiary designation form with the Compensation Committee or its designee. If the Executive's beneficiary dies prior to asserting a written claim for any death benefit payable under the Agreement, such benefit shall be payable to the Executive's estate. If a beneficiary (the "primary beneficiary") is receiving or is entitled to receive payments under the Agreement and dies before receiving all of the payments due him, the balance to which he is entitled shall be paid to the contingent beneficiary, if any, named in the Executive's current beneficiary designation form. If there is no contingent beneficiary, the balance shall be paid to the estate of the primary beneficiary. Any beneficiary may disclaim all or any part of any benefit to which such beneficiary shall be entitled hereunder by filing a written disclaimer with the Compensation Committee at least ten days before payment of such benefit is to be made. Such a disclaimer shall be made in form satisfactory to the Compensation Committee and shall be irrevocable when filed. Any benefit disclaimed shall be payable from the Corporation under this Agreement in the same manner as if the beneficiary who filed the disclaimer had died on the date of such filing.

SECTION 8 Administration by Compensation Committee.

8.1 The Compensation Committee shall be responsible for the general administration and interpretation of this Agreement and for carrying out its provisions, except to the extent all or any of such obligations are specifically imposed on the Board.

8.2 The Compensation Committee shall maintain full and complete records of its deliberations and decisions with respect to this Agreement. The minutes of its proceedings shall be conclusive proof of the facts of the operation of the Agreement. The records of the Compensation Committee with respect to this Agreement shall contain all relevant data pertaining to the Executive and his rights under the Agreement.

8.3 Subject to the limitations of the Agreement, the Compensation Committee may from time to time establish rules or by-laws for the administration of the Agreement and the transaction of its business. The Compensation Committee may correct errors and, so far as practicable, may adjust any benefit or credit or payment accordingly. The Compensation Committee may in its discretion waive any notice requirements in the Agreement; provided, that a waiver of notice in one or more cases shall not be deemed to constitute a waiver of notice in any other case.

8.4 Subject to the provisions of Section 13, the Compensation Committee shall have the duty and authority to interpret and construe the provisions of this Agreement and to decide any dispute which may arise regarding the rights of the Executive hereunder. Benefits under this Agreement will be paid only if the Compensation Committee decides in its discretion that the Executive is entitled to them.

8.5 The Compensation Committee may engage an attorney, accountant or any other technical advisor on matters regarding the operation of the Agreement and to perform such other duties as shall be required in connection therewith, and may employ such clerical and related personnel as the Compensation Committee shall deem requisite or desirable in carrying out the provisions of the Agreement. The Compensation Committee shall from time to time, but no less frequently than annually, review the financial and liquidity needs of the Corporation under the Agreement. The Compensation Committee shall communicate such needs to the Corporation so that its policies may be appropriately coordinated to meet such needs.

8.6 The Compensation Committee shall be entitled to reimbursement by the Corporation for its reasonable expenses properly and actually incurred in the performance of its duties in the administration of the Agreement.

8.7 No member of the Compensation Committee shall be personally liable by reason of any contract or other instrument executed by him or on his behalf as a member of the Compensation Committee nor for any mistake of judgment made in good faith, and the Corporation shall indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums for which are paid from the Corporation's own assets), each member of the Compensation Committee and each other officer, employee, or director of the Corporation to whom any duty or power relating to the administration or interpretation of the Agreement may be delegated or allocated, against any unreimbursed or uninsured cost or expense (including any sum paid in settlement of a claim with the prior written approval of the Board) arising out of any act or omission to act in connection with the Agreement unless arising out of such person's own fraud, bad faith, willful misconduct or gross negligence.

SECTION 9 Funding.

The obligation of the Corporation to make payments hereunder shall constitute a liability of the Corporation to the Executive. Notwithstanding the foregoing, the Corporation may establish a grantor trust (the "Trust") to which the Corporation shall contribute according to its terms to pay the benefits provided for in the Agreement; provided, that to the extent that there shall not be sufficient funds in the Trust to make one or more payments provided for under this Agreement, such payments shall be made from the general funds of the Corporation. Except as otherwise provided herein, the Corporation shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and the Executive shall not have any interest in any particular assets of the Corporation by reason of its obligations hereunder. When the Trust is established, a copy of the document shall be attached hereto and its terms shall be incorporated herein by reference. Nothing contained in this Agreement or the Trust shall create or be construed as creating a trust of any kind or any other fiduciary relationship between or among the Corporation, the Executive, the trustee under the Trust, or any other person. To the extent that any person acquires a right to receive payment from the Corporation or the Trust, such right shall be no greater than the right of an unsecured creditor of the Corporation. In no event shall the Trust or the assets of the Trust be located outside of the United States and at no time shall the Trust be funded if such funding would cause the Executive to be subject to taxation or penalties pursuant to Section 409A of the Code.

SECTION 10 Allocation of Responsibilities.

The persons responsible for the Agreement and the duties and responsibilities allocated to each are as follows:

10.1 Board. To amend or terminate this Agreement in accordance with Section 12;

10.2 Committee.

(i) To interpret the provisions of the Agreement and to determine the rights of the Executive under the Agreement, except to the extent otherwise provided in Section 13 relating to claims procedure;

(ii) To administer the Agreement in accordance with its terms, except to the extent powers to administer the Agreement are specifically delegated to another person or persons as provided in the Agreement;

(iii) To account for the supplemental benefits of the Executive; and

(iv) To file such reports as may be required with the United States Department of Labor, the Internal Revenue Service and any other government agencies to which reports may be required to be submitted from time to time.

SECTION 11 Benefits Not Assignable; Facility of Payments.

11.1 No portion of any benefit credited or paid under this Agreement with respect to the Executive shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void, nor shall any portion of such benefit be in any manner payable to any assignee, receiver or any one trustee, or be liable for his debts, contracts, liabilities, engagements or torts, or be subject to any legal process to levy upon or attach.

11.2 If any individual entitled to receive a payment under the Agreement shall be physically, mentally or legally incapable of receiving or acknowledging receipt of such payment, the Compensation Committee, upon the receipt of satisfactory evidence of his incapacity and satisfactory evidence that another person or institution is maintaining him and that no guardian or committee has been appointed for him, may cause any payment otherwise payable to him to be made to such person or institution so maintaining him. Payment to such person or institution shall be in full satisfaction of all claims by or through the Executive to the extent of the amount thereof.

SECTION 12 Amendment and Termination of Agreement.

This Agreement shall not be amended or terminated other than by a writing signed by the Corporation and the Executive. The Agreement may be terminated and the Executive's accrued benefit paid to him in a single cash payment (i) within 12 months of a corporate dissolution of the Corporation taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), provided that the amounts deferred under the Agreement are paid to the Executive at the later of the calendar year in which the termination of the Agreement occurs, the first calendar year in which the payment is administratively practicable or the calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (ii) upon the agreement of the parties at any time so long as: (a) the Corporation terminates all other arrangements of the Corporation and its Related Entities that are treated as account balance plans as defined in Treasury Regulation Section 31.3121(v)(2)-1(c)(1)(ii)(A) (other than certain separation pay arrangements), (b) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within 12 months of the termination of the arrangements, (c) all payments are made within 24 months of the termination of the arrangements, (d) neither the Corporation nor its Related Entities adopt a new arrangement that would be treated as an account balance plan as defined in Treasury Regulation Section 31.3121(v)(2)-1(c)(1)(ii)(A) (other than certain separation pay arrangements) at any time within five years following the date of termination of the Agreement and (e) the Corporation and its Related Entities satisfy such other events and conditions as the Commissioner of the Internal Revenue Service may prescribe. The amount of any payment pursuant to this Section shall be based on the accumulated benefit obligation as of the date of payment, as determined by the Corporation's actuary in accordance with generally accepted accounting principles. This Section is intended to satisfy the plan termination rules of Treasury Regulation Section 1.409A-3(h)(2)(viii) and shall be interpreted accordingly. For purposes of this Agreement "Related Entity" means any entity that is part of a controlled group of corporations or is under common control with the Corporation within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code.

SECTION 13 Claims Procedure.

The following claims procedure shall apply with respect to this Agreement:

13.1 Filing of a claim for benefits. If the Executive or his beneficiary (the “claimant”) believes that he is entitled to benefits under the Agreement which are not being paid to him or which are not being accrued for his benefit, he shall file a written claim therefor with the Compensation Committee within ninety (90) days of the date such benefits otherwise would have commenced (assuming the claimant is entitled to the benefits) or the claim will be forever barred.

13.2 Notification to claimant of decision.

(a) General. Within 90 days after receipt of a claim, other than a claim for benefits upon a disability, by the Compensation Committee (or within 180 days if special circumstances require an extension of time), the Compensation Committee shall notify the claimant in writing of its decision with regard to the claim. In the event of such special circumstances requiring an extension of time, there shall be furnished to the claimant prior to expiration of the initial 90-day period written notice of the extension, which notice shall set forth the special circumstances and the date by which the decision shall be furnished.

(b) Disability. Except as provided below, within 45 days after receipt of a disability claim by the Compensation Committee, the Compensation Committee shall notify the claimant in writing of its decision with regard to the claim (regardless of whether all the information necessary to make a benefit determination accompanies the claim) unless a 30-day extension is necessary due to matters beyond the control of the Compensation Committee. If such an extension is necessary, the Compensation Committee shall notify the claimant prior to the expiration of the initial 45-day period. If the Compensation Committee determines that a decision cannot be made within the first extension period due to matters beyond the control of the Compensation Committee, the time period for making a determination may be further extended for an additional 30 days. If such an additional extension is necessary, the Compensation Committee shall notify the claimant prior to the expiration of the first 30-day extension period. Any notice of an extension period shall indicate (i) the circumstances necessitating the extension of time, (ii) the date by which the Compensation Committee expects to furnish a notice of decision, (iii) the specific standards on which such entitlement to a benefit is based, (iv) the unresolved issues that prevent a decision on the claim and (v) any additional information needed to resolve those issues. A claimant will be provided a minimum of 45 days to submit any necessary additional information to the Compensation Committee. In the event that a 30-day extension is necessary due to a claimant’s failure to submit information necessary to decide a claim under this subsection, the period for furnishing a notice of decision shall be tolled from the date on which the notice of the extension is sent to the claimant until the date the claimant responds to the request for additional information.

(c) Denial. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Agreement on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the procedure for review of the denial and the time limits applicable to such procedures, including the claimant's right to bring a civil action, to the extent permissible, following an adverse benefit determination on review. In addition to the information specified above, an adverse benefit determination concerning a disability claim shall also set forth, in a manner calculated to be understood by the claimant, (i) an explanation of any internal rule or guideline relied on to make the adverse determination, or (ii) a statement that a specific rule or guideline was relied upon and that a copy of the rule will be provided to the claimant free of charge upon request.

(d) Request for review. If a claim for benefits is denied in whole or in part, the claimant or his duly authorized representative may request in writing a full and fair review of the adverse benefit determination. The Compensation Committee may appoint a committee to review benefit claims, which must consider any denied claim that is submitted for review. If no committee is appointed, the Compensation Committee will process any valid request for review. The claims procedure must provide the claimant with (i) at least 60 days (180 days in the case of a Disability claim) following receipt of an adverse determination on which to appeal the determination, (ii) the opportunity to submit written comments, documents and records relating to the claim, (iii) reasonable access to and copies of documents and records relevant to the claim for benefits, upon request and free of charge, and (iv) a review taking into account all comments, documents, records and information submitted by the claimant relating to the claim, without regard to whether the information was submitted or considered in the initial benefit determination.

(e) Review of denied claims. The Compensation Committee must make a decision concerning the determination upon review of a denied claim within 60 days (45 days in the case of a disability claim) of receipt of a request for review. Under special circumstances, the review period may be extended for an additional 60 days (45 days in the case of a disability claim). If an extension is required, the Compensation Committee will provide the claimant with written notification of the special circumstances involved and the date by which the Compensation Committee expects to render a final decision.

(1) *Hearing*. The Compensation Committee or the committee appointed to review claims must determine whether there will be a hearing. A hearing must be scheduled to give sufficient time for this review and submission, giving notice of the schedule and deadlines for submission.

(2) *Review by Compensation Committee or committee*. If the Compensation Committee (or a committee if a one has been appointed) has regularly scheduled meetings at least quarterly, the rules in this subsection govern the time for the decision on review and supersede the rules described above. If the claimant's written request for review is received more than 30 days before a meeting, a decision on review must be made at the next meeting after the request for review has been received. If the claimant's written request for review is received 30 days or less before a meeting of the Compensation Committee (or committee), the decision on review must be made at the Compensation Committee's (or committee's) second meeting after the request for review has been received. If an extension of time is required, written notice of the extension must be furnished to the claimant before the extension begins.

(3) *Disability claims.* The review shall be conducted by the Compensation Committee (exclusive of the person who made the initial adverse decision or such person's subordinate). In reviewing the appeal, the Compensation Committee shall (i) not afford deference to the initial denial of the claim, (ii) consult a medical professional who has appropriate training and experience in the field of medicine relating to the claimant's disability and who was neither consulted as part of the initial denial nor is the subordinate of such individual and (iii) identify the medical or vocational experts whose advice was obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decision. If a claim is denied due to a medical judgment, the reviewer will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. The health care professional consulted will not be the same person consulted in connection with the initial benefit decision (nor be the subordinate of that person). The decision on review also will identify any medical or vocational experts who advised the Compensation Committee in connection with the original benefit decision, even if the advice was not relied upon in making the decision.

(f) Notification on review. If a request for review is wholly or partially denied, the Compensation Committee must give written or electronic notice to the claimant within the time provided in subsection (e). The notice must contain the information detailed in subsection (c). If the notification concerns the denial of a disability claim, the notice must also contain; (i) a statement describing any voluntary appeal procedures offered by the Agreement and the claimant's right to obtain information about such procedures, and (ii) a statement that the claimant may have other voluntary alternative dispute resolution options, such as mediation.

(g) Determinations are binding. All good-faith determinations by the Compensation Committee are conclusive and binding on all persons, and there is no right of appeal except as provided above. Any electronic notification shall comply with the standards imposed by Department of Labor Regulation 2520.104b-1(c).

13.3 Arbitration. If a dispute remains following the decision of the Compensation Committee under Section 13.2, the issue or issues in dispute shall be settled and finally determined by arbitration in Winston-Salem, North Carolina, under the then existing rules of the American Arbitration Association; and judgment may be entered upon the award of the arbitrator by any Court of competent jurisdiction. The standard of review for such arbitration shall be de novo; therefore, discretion granted to the Compensation Committee by any other provision of this Agreement shall be disregarded, and there shall be no presumption in favor of any decision made by the Compensation Committee. If the Executive disagrees with the final decision of the Compensation Committee under Section 13.2, Executive must file the request for arbitration within ninety (90) days of the Compensation Committee's final decision pursuant to Section 13.2 or the Compensation Committee's decision shall be final and any further claim forever barred. Any expenses of such arbitration shall be allocated among the parties to this Agreement by the arbitrator.

13.4 Action by authorized representative of claimant. All actions set forth in this Section 13 to be taken by the claimant may likewise be taken by a representative of the claimant duly authorized by him to act in his behalf on such matters. The Compensation Committee may require such evidence as either may reasonably deem necessary or advisable of the authority to act of any such representative.

SECTION 14 Miscellaneous Provisions.

14.1 Notices. The Executive and each beneficiary shall be responsible for furnishing the Compensation Committee or its designee with their current address for the mailing of notices and benefit payments. Any notice required or permitted to be given to the Executive or a beneficiary shall be deemed given if directed to such address and mailed by regular United States mail, first class, postage prepaid. If any check mailed to such address is returned as undeliverable to the addressee, mailing of checks will be suspended until the Executive or beneficiary furnishes the proper address. This provision shall not be construed as requiring the mailing of any notice or notification otherwise permitted to be given by posting or by other publication.

14.2 Lost distributees. A benefit shall be deemed forfeited if the Compensation Committee is unable after a reasonable period of time to locate the Executive or his beneficiary to whom payment is due; provided, however, that such benefit shall be reinstated if a valid claim is made by or on behalf of the Executive or his beneficiary for the forfeited benefit no later than ninety (90) days after the date such benefits otherwise would have commenced (assuming the claimant is entitled to the benefits) or the claim will be forever barred.

14.3 Reliance on data. The Corporation and the Compensation Committee shall have the right to rely on any data provided by the Executive or by any beneficiary. Representations of such data shall be binding upon any party seeking to claim a benefit through a Executive, and the Corporation and the Compensation Committee shall have no obligation to inquire into the accuracy of any representation made at any time by the Executive or his beneficiary.

14.4 Receipt and release for payments. Any payment made from the Corporation to or with respect to the Executive or his beneficiary, or pursuant to a disclaimer by a beneficiary, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Corporation with respect to the Agreement. The recipient of any payment may be required by the Compensation Committee, as a condition precedent to such payment, to execute a receipt and release with respect thereto in such form as shall be acceptable to the Compensation Committee.

14.5 Withholding. The Corporation shall withhold from any payments or benefits under this Agreement, or shall otherwise obtain payment from Executive for, all federal, state, or local taxes or other amounts as shall be required pursuant to any law or governmental regulation or ruling.

14.6 Headings. The headings and subheadings of the Agreement have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

14.7 Continuation of employment. The establishment of the Agreement shall not be construed as conferring any legal or other rights upon the Executive or any persons for continuation of employment or any right to receive or continue to receive any rate of pay or other compensation, nor shall it interfere with the right of the Corporation to discharge the Executive or to deal with him without regard to the effect thereof under the Agreement.

14.8 Binding on successors. The obligations of the parties hereto shall inure to the benefit of and shall be binding upon their successors and assigns, including any successor to the Corporation by merger, consolidation or otherwise that may agree to continue this Agreement.

14.9 Construction. The provisions of the Agreement shall be construed and enforced according to the laws of the State of North Carolina.

14.10 Compliance. No benefits shall be paid hereunder except in compliance with all applicable laws and regulations (including, without limitation, withholding tax requirements), any listing agreement with any stock exchange to which the Corporation is a party, and the rules of all domestic stock exchanges on which the Corporation's shares of capital stock may be listed. The Corporation shall have the right to rely on an opinion of its counsel as to such compliance. No benefits shall be paid hereunder unless the Corporation has obtained such consent or approval as the Corporation may deem advisable from regulatory bodies having jurisdiction over such matters.

14.11 Confidentiality. The terms and conditions of this Agreement and the Executive's participation hereunder shall remain strictly confidential. The Executive may not discuss or disclose any terms of this Agreement or its benefits with anyone except for Executive's attorneys, accountants and immediate family members who shall be instructed to maintain the confidentiality agreed to under this Agreement, except as may be required by law.

SECTION 15 Application of Section 409A.

15.1 Compliance. This Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be construed and interpreted in accordance therewith. Notwithstanding the preceding, the Corporation and its Related Entities shall not be liable to the Executive or any other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any amount under this Agreement is subject to taxes, penalties or interest as a result of failing to comply with Section 409A of the Code.

15.2 Separation from service. Notwithstanding any other provision of this Agreement, the Executive will not be entitled to payment upon his termination of employment pursuant to this Agreement unless the Executive has terminated employment with the Corporation and all of its Related Entities and otherwise had a “separation from service” as defined below. For purposes of this Agreement, “separation from service” means the termination of the Executive’s employment with the Corporation and all Related Entities; provided, however, that the Executive will not be considered as having had a separation from service if (i) the Executive continues to provide services to the Corporation or any of its Related Entities as an employee or otherwise at an annual rate that is at least equal to 50 percent of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is at least equal to 50 percent of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period), or (ii) the Executive is on military leave, sick leave or other bona fide leave of absence (such as temporary employment by the government) so long as the period of such leave does not exceed six months, or if longer, so long as the Executive’s right to reemployment with the Corporation or any Related Entity is provided either by statute or by contract. If the period of leave exceeds six months and the Executive’s right to reemployment is not provided either by statute or by contract, the separation from service will be deemed to occur on the first date immediately following such six-month period. For purposes of this Section, the annual rate of providing services shall be determined based upon the measurement used to determine the Executive’s base compensation. This definition of separation from service is intended to comply with the definition of “separation from service” as used in Section 409A(a)(2)(A)(i) of the Code and shall be interpreted accordingly.

15.3 Specified employee. Notwithstanding any other provision of this Agreement, if the Executive is a “specified employee” (as defined below), and if the Executive’s benefits hereunder are paid upon a Separation from Service then, to the extent necessary to comply with Section 409A of the Code, no payments may be made hereunder before the date which is six months after the Executive’s separation from service or, if earlier, his death. All such amounts, which would have otherwise been required to be paid during such six months or, if earlier, Executive’s death, shall be paid to Executive in one lump sum payment as soon as administratively practical after the date which is six months after Executive’s separation from service or, if earlier, Executive’s death. Any other payments scheduled to be made after such period shall be made at the times otherwise designated in this Agreement disregarding the delay for payments required herein. For purposes of this Agreement, “specified employee” generally means an employee who is (i) an officer of the Corporation or any of its Related Entities having annual compensation greater than \$140,000 (with certain adjustments for inflation after 2006), (ii) a five-percent owner of the Corporation or (iii) a one-percent owner of the Corporation having annual compensation greater than \$150,000. This definition is intended to comply with the specified employee rules of Section 409A(a)(2)(B)(i) of the Code and shall be interpreted accordingly.

IN WITNESS WHEREOF, this Retirement Security Agreement is executed by and in behalf of the parties hereto as the day and year first above written.

INSTEEL INDUSTRIES INC.

By: _____

Attest:

Secretary

EXECUTIVE

By: _____

Exhibit A

Schedule of Parties to Retirement Security Agreement

<u>Name</u>	<u>Date of Agreement</u>
H.O. Woltz III	September 19, 2007
Richard T. Wagner	September 19, 2007
Scot R. Jafroodi	September 19, 2007
James R. York	July 9, 2018
Elizabeth C. Southern	June 5, 2023

**2015 EQUITY INCENTIVE PLAN OF
INSTEEL INDUSTRIES, INC.**

Stock Option Agreement

RECITALS:

In furtherance of the purposes of the 2015 Equity Incentive Plan of Insteel Industries, Inc., as amended (the "Plan"), and in consideration of the services of the Optionee and such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and the Optionee hereby agree as follows:

1. Incorporation of Plan. The rights and duties of the Corporation and the Optionee under this Stock Option Agreement (the "Agreement") shall in all respects be subject to and governed by the provisions of the Plan, the terms of which are expressly incorporated herein by reference and made a part hereof. In the event of any conflict between the provisions in the Agreement and those of the Plan, the provisions of the Plan shall govern. Unless otherwise defined herein, capitalized terms in this Agreement shall have the same definitions as set forth in the Plan.
 2. Grant of Option; Term of Option. The Corporation hereby grants to the Optionee pursuant to the Plan, as a matter of separate inducement and agreement in connection with his employment or service to the Corporation, and not in lieu of any salary or other compensation for his services, the right and Option (the "Option") to purchase all or any part of an aggregate of shares (the "shares") of the common stock (the "Common Stock") of the Corporation and at a purchase price (the "option price") per share as set forth on the Notice of Grant of Stock Options and Option Agreement. Options may be issued either as Nonqualified Options or Incentive Stock Options. To the extent that any Option is designated as an Incentive Stock Option and such Option does not qualify as an Incentive Stock Option, it shall be treated as a Nonqualified Option. Except as otherwise provided in the Plan, the Option will expire if not exercised in full before the date set forth on the attached Notice of Grant of Stock Options and Option Agreement.
 3. Exercise of Option. The Option shall become exercisable on the date or dates and subject to such other conditions as are set forth in the Plan and on the Notice of Grant of Stock Options and Option Agreement. To the extent that an Option which is exercisable is not exercised, such Option shall accumulate and be exercisable by the Optionee in whole or in part at any time prior to expiration of the Option, subject to the terms of the Plan and this Agreement. Payment of the option price may be (i) in cash; (ii) by delivery of shares of Common Stock owned by the Optionee for at least six months at the time of exercise and acceptable to the Administrator; (iii) with respect to Nonqualified Stock Options, by shares of Common Stock withheld upon exercise, or (iv) any combination thereof; provided, that the Administrator may, in its sole and absolute discretion and subject to such terms and conditions as it deems appropriate, also permit all or a portion of the purchase price to be paid by delivery of written notice of exercise to the Corporation and delivery to a broker of written notice of exercise and irrevocable instructions to promptly deliver to the Corporation the amount of sale or loan proceeds to pay the
-

Option Price. Upon the Corporation's receipt of proper notice of exercise of the Option in whole or in part and payment of the option price, the Corporation shall as soon thereafter as practicable deliver to the Optionee a certificate or certificates for the shares purchased. Shares tendered or withheld in payment on the exercise of an Option shall be valued at their Fair Market Value on the date of exercise. In order to comply with any applicable securities laws, the Corporation may require the Optionee, prior to issuance of the Common Stock pursuant to the exercise of the Option, (i) to furnish evidence satisfactory to the Corporation (including a written and signed representation letter) to the effect that the Common Stock to be acquired will be acquired for investment only and not for resale or distribution and (ii) to agree that the Common Stock shall only be sold by the Optionee following registration under the Securities Act of 1933, as amended, or pursuant to an exemption therefrom.

4. Termination of Employment; Change in Control. Except as otherwise expressly provided in this Section 4, all rights of the Optionee under the Plan with respect to the unexercised portion of his Option (whether or not then vested and exercisable) shall terminate upon termination of the employment of the Optionee with the Corporation or a Related Corporation.
- (a) If the employment of the Optionee is terminated because of death or Disability, the Option shall immediately vest and must be exercised, if at all, prior to the earlier of: (A) the first anniversary of the Optionee's termination date, or (B) the expiration of the Option. In the event of the Optionee's death, such Option shall be exercisable by such person or persons as shall have acquired the right to exercise the Option by will or by the laws of intestate succession. In the event of the Optionee's Disability, such Option may be exercised by the Optionee's guardian or legal representative.
 - (b) If the employment of the Optionee terminates because of Retirement, the Option shall immediately vest and must be exercised, if at all, prior to the expiration of the Option. For this purpose, Retirement means the Optionee's termination of employment other than by reason of death or Disability after having (i) attained age 55, (ii) completed 10 "years of service" (as that term is defined in the Insteel Industries, Inc. Retirement Savings Plan) with the Corporation or a Related Corporation, and (iii) provided at least four months' prior notice to the Corporation of the Optionee's planned retirement date; or, if prior to having fulfilled all three of such conditions, only after having obtained the prior permission of the Committee. Notwithstanding the foregoing, the Committee in its sole and absolute discretion may determine that an Optionee shall not be entitled to receive the benefits that would otherwise accrue upon Retirement if the Optionee engages in Conflicting Activities (as defined in Section 4(c)). The Optionee understands and agrees that neither this provision nor any other provision of this Agreement prohibits the Optionee from engaging in Conflicting Activities but only provides that the Optionee's Option shall terminate following the Optionee's Retirement from the Corporation or a Related Corporation if he or she engages in Conflicting Activities.

(c) “Conflicting Activities” means, without the advance, express, written consent of the Committee:

(i) The Optionee is or becomes a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than five percent (5%) of the outstanding shares or other equity interest of a publicly traded company) of a Direct Competitor (as defined in Section 4(d));

(ii) The Optionee is or becomes a partner or joint venture in any business or other enterprise or undertaking with a Direct Competitor; or

(iii) The Optionee becomes employed by or performs services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an affiliate of the Company materially conducts business if the Optionee’s services are similar in any material way to the services he or she performed for the Corporation or a Related Corporation in the 12 months preceding the Optionee’s termination of employment from the Corporation or a Related Corporation.

(d) “Direct Competitor” means any entity or other business concern that manufactures and/or markets steel products for reinforcing concrete.

(e) If the employment of the Optionee is terminated for any reason other than death, Disability, Retirement or Cause, the unvested portion of the Option shall be forfeited and the vested portion must be exercised, if at all, prior to the earlier of: (A) 90 days following the Optionee’s termination date, or (B) the expiration of the Option.

(f) Upon a Change in Control, the provisions of Section 19 of the Plan will apply.

5. Fractional Shares. Fractional shares shall not be issuable hereunder, and when any provision hereof may entitle the Optionee to a fractional share, such fractional share shall be disregarded.
6. No Right of Continued Employment. Nothing contained in this Agreement or the Plan shall confer upon the Optionee any right to continue in the employment or service of the Corporation or a Related Corporation or interfere with the right of the Corporation or a Related Corporation to terminate the Optionee’s employment or service at any time.
7. Nontransferability of Option. The Option shall not be transferable other than by will or the laws of intestate succession. The Option shall be exercisable during the Optionee’s lifetime only by the Optionee or, in case of the Optionee’s Disability, by the Optionee’s guardian or legal representative on the Optionee’s behalf.
8. Compliance with Recoupment, Ownership and Other Policies and Agreements. As a condition to receiving the Option, the Optionee agrees that he or she shall abide by all provisions of any equity retention policy, compensation recovery (clawback) policy, stock ownership guidelines and/or other similar policies maintained by the Corporation, each as in effect from time to time and to the extent applicable to the Optionee from time to time. In

addition, the Optionee shall be subject to such compensation recovery, recoupment, forfeiture, or other similar provisions as may apply at any time to the Optionee under applicable law.

9. Superseding Agreement; Binding Effect. This Agreement supersedes any statements, representations or agreements of the Corporation with respect to the grant of the Options or any related or similar rights, and the Optionee hereby waives any rights or claims related to any such statements, representations or agreements. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective executors, administrators, next-of-kin, successors and assigns.
10. Governing Law. Except as otherwise provided in the Plan or herein, this Agreement shall be construed and enforced according to the laws of the State of North Carolina, without regard to the conflict of laws provisions of any state.
11. Amendment and Termination; Waiver. Subject to the terms of the Plan, this Agreement may be modified or amended only by the written agreement of the parties hereto. The waiver by the Corporation of a breach of any provision of the Agreement by the Optionee shall not operate or be construed as a waiver of any subsequent breach by the Optionee.
12. No Rights as Shareholder. The Optionee or his legal representatives, legatees or distributees shall not be deemed to be the holder of any shares subject to the Option and shall not have any rights of a shareholder unless and until certificates for such shares have been issued and delivered to him or them.
13. Withholding. The Optionee acknowledges that the Corporation shall require the Optionee to pay the Corporation the amount of any federal, state, local or other tax or other amount required by any governmental authority to be withheld and paid over by the Corporation to such authority for the account of the Optionee, and the Optionee agrees, as a condition to the grant of the Option, to satisfy such obligations.
14. Section 409A of the Code. If any provision of the Plan or this Agreement would result in the Optionee becoming subject to any penalty under Section 409(A) of the Code, any rights of the Optionee or authority of the Corporation with respect to the Option shall be automatically modified and limited to the extent necessary to avoid the imposition of such penalty.
15. Administration. The authority to construe and interpret this Agreement and the Plan and to administer all aspects of the Plan shall be vested in the Administrator, and the Administrator shall have all powers with respect to this Agreement as are provided in the Plan. Any interpretation of the Agreement by the Administrator and any decision made by it with respect to the Agreement is final and binding.
16. Notices. Except as may be otherwise provided by the Plan, any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailed but in no event later than the date of actual receipt. Notices shall be directed, if to the Optionee, at the

Optionee's address indicated by the Corporation's records, or if to the Corporation, at the Corporation's principal office.

17. Severability. The provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
18. Restrictions on Shares. The Corporation may impose such restrictions on any shares issued pursuant to the exercise of the Option as it may deem advisable, including without limitation restrictions under the federal securities laws, the requirements of any stock exchange or similar organization and any blue sky or state securities laws applicable to such shares. Notwithstanding any other provision in the Plan or the Agreement to the contrary, the Corporation shall not be obligated to issue, deliver or transfer shares of Common Stock, to make any other distribution of benefits, or to take any other action, unless such delivery, distribution or action is in compliance with all applicable laws, rules and regulations (including but not limited to the requirements of the Securities Act). The Corporation may cause a restrictive legend to be placed on any certificate issued pursuant to the exercise of the Option in such form as may be prescribed from time to time by applicable laws and regulations or as may be advised by legal counsel.

INSIDER TRADING POLICY

PART I—Purpose; Application, Etc.

Purpose

This Insider Trading Policy (this “Policy”) provides guidelines with respect to transactions in the securities of Insteel Industries Inc. (the “Company”) and the handling of confidential information about the Company and other companies with which the Company engages in transactions or does business. The Company has adopted this Policy to promote compliance with U.S. federal, state and foreign securities laws that prohibit certain persons who are aware of material nonpublic information about a company from: (1) trading in securities of that company; or (2) providing material nonpublic information to other persons who may trade on the basis of that information.

Application of the Policy

This Policy is in three parts:

This Part I provides information regarding the purpose, application and administration of this Policy.

Part II of this Policy applies to all officers of the Company and its subsidiaries, all members of the Company’s Board of Directors and all employees of the Company and its subsidiaries. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material nonpublic information. This Policy also applies to family members, other members of a person’s household and entities controlled by a person covered by this Policy, as described below.

Part III of this Policy, among other things, is intended to promote compliance with the requirements of Section 16 (and related rules and regulations) of the Securities Exchange Act of 1934, as amended (“Section 16”) that are applicable to the Company’s directors and “Section 16 Officers” (defined below), and thus applies only to Directors and Section 16 Officers of the Company.

Transactions Subject to the Policy

This Policy applies to transactions in the Company’s securities (collectively referred to in this Policy as “Company Securities”), including the Company’s common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to the Company’s Securities. Transactions subject to this Policy include purchases, sales and *bona fide* gifts of Company Securities.

Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. Persons subject to this policy must not engage in illegal trading and must avoid the appearance of improper trading. Each individual is responsible for making sure that he or she complies with this Policy, and that any family member, household member or entity whose transactions are subject to this Policy, as discussed below, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material nonpublic information rests with that individual, and any action on the part of the Company, the Compliance Officer or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Consequences of Violations.”

Post-Termination Transactions

This Policy continues to apply to transactions in Company Securities even after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not engage in transactions in Company Securities until that information has become public or is no longer material.

Consequences of Violations

The purchase or sale of securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then engage in transactions in the Company’s Securities, is prohibited by the federal and state laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities, as well as enforcement authorities in foreign jurisdictions. Punishment for insider trading violations is severe and could include significant fines and imprisonment. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other “controlling persons” if they fail to take reasonable steps to prevent insider trading by company personnel.

In addition, an individual’s failure to comply with this Policy may subject the individual to Company-imposed sanctions, including dismissal for cause, whether or not the employee’s failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person’s reputation and irreparably damage a career.

Company Assistance

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Compliance Officer.

Certification

Any person subject to this Policy may be required from time to time to certify his or her understanding of, and intent to comply with, this Policy.

Administration of the Policy

The Vice-President-Secretary of the Company shall serve as the Compliance Officer for the purposes of this Policy, and in the absence of such Compliance Officer, the Company's Vice-President-Chief Financial Officer or another employee designated by the Compliance Officer shall be responsible for administration of this Policy.

PART II—Provisions Applicable to All Employees, Directors and Executive Officers

Statement of Policy

It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to the Company may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Company Securities, except as otherwise specified in this Policy under the headings "Transactions Under Company Plans."
2. Recommend that others engage in transactions in any Company Securities;
3. Disclose material nonpublic information to persons within the Company whose jobs do not require them to have that information, or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company; or
4. Assist anyone engaged in any of the above activities.

In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated as subject to this Policy) who, in the course of working for the Company, learns of material nonpublic information about a company (1) with which the Company does business, such as the Company's distributors, vendors, customers and suppliers, or (2) that is involved in a potential transaction or business relationship with Company, may engage in transactions in that company's securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically noted herein. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Definition of Material Nonpublic Information

Material Information. Information is considered "material" if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances and is often evaluated by enforcement authorities with the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- Projections of future earnings or losses, or other earnings guidance;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed joint venture;
- A Company restructuring;
- Significant related party transactions;
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- Bank borrowings or other financing transactions out of the ordinary course;
- The establishment of a repurchase program for Company Securities;
- A change in the Company's pricing or cost structure;
- Major marketing changes;
- A change in senior management of the Company;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Development of a significant new product, process, or service;

- Pending or threatened significant litigation, or the resolution of such litigation;
- Impending bankruptcy or the existence of severe liquidity problems;
- The gain or loss of a significant customer or supplier;
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in the company's operations or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure; or
- The imposition of an event-specific restriction on trading in Company Securities or the securities of another company or the extension or termination of such restriction.

When Information is Considered Public. Information that has not been disclosed to the public is generally considered to be nonpublic information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Information generally would be considered widely disseminated if it has been disclosed through the newswire services, a broadcast on widely-available radio or television programs, publication in a widely-available newspaper, magazine or news website, the Company's website, or public disclosure documents filed with the SEC that are available on the SEC's website.

Once information is widely disseminated, it is still necessary to provide the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until two full business days have passed after the day on which the information is released. If, for example, the Company were to make an announcement on a Monday morning prior to the start of trading on the NYSE, you should not trade in Company Securities until Wednesday. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material nonpublic information.

Transactions by Family Members and Others

This Policy applies to your family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in your household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively referred to as "Family Members"). You are responsible for the transactions of these other persons and therefore should make them aware of the need to confer with you before they trade in Company Securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

Transactions by Entities that You Influence or Control

This Policy applies to any entities that you influence or control, including any corporations, partnerships or trusts (collectively referred to as “Controlled Entities”), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for your own account.

Transactions Under Company Plans

This Policy does not apply in the case of the following transactions, except as specifically noted:

Stock Option Exercises. This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company’s plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Stock Awards. This Policy does not apply to the vesting of restricted stock or restricted stock units (“RSUs”), or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock or RSUs. The Policy does apply, however, to any market sale of the stock issued to you as a result of such vesting.

401(k) Plan. This Policy does not apply to purchases of Company Securities in the Company’s 401(k) plan resulting from an election you have previously made to make periodic contributions of money to the plan pursuant to your payroll deduction election. This Policy does apply, however, to certain elections you may make under the 401(k) plan, including: (1) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company Securities fund; (2) an election to make an intra-plan transfer of an existing account balance into or out of the Company Securities fund; (3) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Company Securities fund balance; and (4) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

Employee Stock Purchase Plan. This Policy does not apply to purchases of Company Securities in the employee stock purchase plan resulting from an election you have previously made to make periodic contributions of money to the plan.

Dividend Reinvestment Plan. This Policy does not apply to purchases of Company Securities under the Company’s dividend reinvestment plan resulting from your reinvestment of dividends paid on Company Securities. This Policy does apply to your sale of any Company Securities purchased pursuant to the plan.

Other Similar Transactions. Any other purchase of Company Securities from the Company or sales of Company Securities to the Company are not subject to this Policy.

Quarterly Trading Restrictions

Directors, officers and employees, as well as their Family Members or Controlled Entities, may not conduct any transactions involving the Company’s Securities (other than as specified by this Policy), during a “Restricted Period” beginning three weeks prior to the end of each fiscal quarter and ending after two full business days have passed following the date of the public release of the Company’s earnings results for that quarter.

PART III—Provisions Applicable only to Directors and Section 16 Officers

Additional Requirements Relating to Directors and Section 16 Officers

Our directors and certain of our officers are also subject to additional requirements relating to their transactions in Company stock. At Insteel, the officers who are subject to the requirements of Section 16 are the officers who have been designated as “Executive Officers” as well as our Corporate Controller. We refer to this group of officers as our “Section 16 Officers.”

Of particular note, Section 16(a) requires that reports of transactions in our stock be filed with the SEC on Form 4 within two business days after any transaction. Previously, bona fide gifts were exempt from the two-day filing requirement, but effective in March, 2023, gifts of Company stock must now also be reported within two business days.

To ensure compliance with Section 16 reporting requirements and to help prevent an inadvertent violation of the federal securities laws, our policy regarding transactions in our stock by directors and Section 16 Officers includes the following requirements:

Mandatory Pre-clearance Procedure

Directors and Section 16 Officers, together with their immediate family members living in the same household, may not engage in any transaction involving Insteel stock (including a transaction such as an option exercise, a gift, or any other transfer) without first obtaining pre-clearance of the transaction from the Compliance Officer. The Vice President-Chief Financial Officer or Assistant Corporate Secretary are back-up contacts in the event that the Compliance Officer is unavailable to pre-clear a transaction. A request for pre-clearance should be submitted at least one day in advance of the proposed transaction.

Filing of Form 4

The Company will file Form 4 on behalf of directors and Section 16 Officers, but it is critical that the appropriate Company personnel receive transaction details promptly so that the necessary filing can be made within the two-day time limit. Transaction details should be e-mailed to the Vice-President-Secretary and the Assistant Secretary. If a director or Section 16 Officer relies on his or her broker to provide the Company with transaction details, it remains the responsibility of the director or Section 16 Officer to ensure the details are received.

Late filing of a Form 4 is a violation of the securities laws that must be disclosed in the Company's proxy statement. Although one or two late filings will not normally lead to enforcement action, the SEC has recently taken such action where it perceives a pattern of late filing by an individual.

Filing of Form 144

Form 144 is a "Notice of Proposed Sale of Securities" that is typically filed by the broker on behalf of the director or executive officer. The form should be filed with the SEC prior to a proposed sale of Insteel shares, and unlike Form 4, is filed by the broker (on behalf of the director or executive officer) rather than an Insteel representative. Beginning April 13, 2023, certain Form 144 filings must be made on the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. If the broker for a director or executive officer needs the access codes for the individual's EDGAR account to file a Form 144, the codes can be obtained from the Vice President-Secretary or from the Assistant Secretary. It remains the responsibility of Insteel directors and executive officers to ensure that their Form 144 is filed by their broker in advance of any sale of our stock.

Special and Prohibited Transactions

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct raised by certain types of transactions. It therefore is the Company's policy that directors and Section 16 Officers may not engage in any of the following transactions:

Short-Term Trading. Any director or Section 16 Officer of the Company who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or *vice versa*).

Short Sales. A "short sale" of securities is a sale of a security that the seller does not own. Section 16(c) of the Exchange Act prohibits directors and Section 16 Officers from engaging in short sales. (Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Hedging Transactions.")

Publicly-Traded Options. Given the relatively short term of publicly-traded options, transactions in options may create the appearance that a director or Section 16 Officer is trading based on material nonpublic information and focus such individual's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy.

Hedging Transactions. Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such transactions may permit a director or Section 16 Officer to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director or Section 16 Officer may no longer have the same objectives as the Company's other shareholders. Therefore, directors and Section 16 Officers are prohibited from engaging in any such transactions.

Margin Accounts and Pledged Securities. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, directors and Section 16 Officers are discouraged from entering into such arrangements and may do so only after notifying the Compliance Officer and receiving approval to proceed.

Standing and Limit Orders. Standing and limit orders create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director or Section 16 Officer is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a director or Section 16 Officer determines that they must use a standing order or limit order, the order should be limited to short duration and should otherwise comply with the restrictions and procedures outlined above under the heading "Mandatory Pre-clearance Procedure."

Rule 10b5-1 Plans

Rule 10b5-1 Plans are plans that some brokers promote whereby sales of Company Securities would be made pursuant to a pre-existing plan. The SEC has recently engaged in substantial rulemaking relating to Rule 10b5-1 Plans, and those rules impose additional conditions and restrictions on the terms and use of such plans, as well as imposing on the Company additional compliance and disclosure obligations with respect to a Rule 10b5-1 Plan entered into by a person subject to this Policy. Accordingly, directors and Section 16 Officers may not enter into a Rule 10b5-1 Plan unless such plan meets certain conditions specified in SEC rules and regulations, and the person has received pre-approval of the plan from the Compliance Officer. Pre-approval of a Rule 10b5-1 Plan may require significantly more time than the normal pre-clearance of trades under this Policy. In the event you have a Rule 10b5-1 Plan in effect with respect to Company Securities at the time you become a director or Section 16 Officer, you must immediately disclose such Rule 10b5-1 Plan to the Compliance Officer.

List of Subsidiaries of Insteel Industries Inc.

The following is a list of our subsidiaries as of September 28, 2024, each of which is wholly-owned:

Name	State or Other Jurisdiction of Incorporation
Insteel Wire Products Company	North Carolina
Intercontinental Metals Corporation	North Carolina

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated October 24, 2024 with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Insteel Industries Inc. on Form 10-K for the year ended September 28, 2024. We consent to the incorporation by reference of said reports in the Registration Statements of Insteel Industries Inc. on Forms S-8 (File No. 033-61889, File No. 033-61887, File No. 333-236744, File No. 333-48011, File No. 333-30934, File No. 333-123325, File No. 333-179670, and File No. 333-202128).

/s/ Grant Thornton LLP

Charlotte, North Carolina
October 24, 2024

CERTIFICATION

I, H. O. Woltz III, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended September 28, 2024 of Insteel Industries, 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 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 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.

Date: October 24, 2024

/s/ H. O. Woltz III

H. O. Woltz III

President, Chief Executive Officer and Chairman of the Board

CERTIFICATION

I, Scot R. Jafroodi, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended September 28, 2024 of Insteel Industries, 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 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 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.

Date: October 24, 2024

/s/ Scot R. Jafroodi

Scot R. Jafroodi

Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Insteel Industries, Inc. (the “Company”) for the period ended September 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, H. O. Woltz III, President, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ H. O. Woltz III

H. O. Woltz III

President, Chief Executive Officer and Chairman of the Board

October 24, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Insteel Industries, Inc. (the “Company”) for the period ended September 28, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scot. R. Jafroodi, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scot R. Jafroodi

Scot R. Jafroodi

Vice President, Chief Financial Officer and Treasurer

October 24, 2024