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 October 31, 2015

Commission File Number 0-27022

OPTICAL CABLE CORPORATION

(Exact name of the registrant as specified in its charter)

Virginia **(State or other jurisdiction of incorporation or organization)**	**54-1237042** **(I.R.S. Employer Identification No.)**
5290 Concourse Drive, Roanoke, VA **(Address of principal executive offices)**	**24019** **(Zip Code)**

(540) 265-0690
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	Nasdaq Global Market

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 Section 15(d) of the Securities Exchange Act of 1934. 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. (1) Yes ☒ No ☐ (2) Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

The aggregate market value of the registrant’s Common Stock, no par value, held by non-affiliates of the registrant (without admitting any person whose shares are not included in determining such value is an affiliate) as of April 30, 2015, the last business day of the Company’s most recent second quarter was $22,730,232 based upon the closing price of these shares as reported by the Nasdaq Global Market on April 30, 2015.

As of January 22, 2016, the Company had outstanding 7,059,548 common shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report filed as Exhibit 13.1 to this report on Form 10-K are incorporated by reference in Part II of this Form 10-K Report: "Corporate Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm." In addition, portions of the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K Report: "Election of Directors," "Beneficial Ownership of Securities," "Compensation of Executive Officers," "Compensation of Directors," "Compliance with Section 16(a) of the Securities Exchange Act of 1934," "Code of Ethics," "Executive Compensation," "Beneficial Ownership of Securities," "Equity Compensation Plans Information," "Certain Relationships and Related Transactions," "Independent Registered Public Accounting Firm," and "Audit Committee Pre-approval of Audit and Permissible Non-audit Services of Independent Registered Public Accounting Firm."

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PART I

Item 1. BUSINESS

Overview

Optical Cable Corporation was incorporated in the Commonwealth of Virginia in 1983. We are headquartered at 5290 Concourse Drive, Roanoke, Virginia 24019 and our telephone number is (540) 265-0690. Optical Cable Corporation, together with our wholly owned subsidiary, Applied Optical Systems, Inc. ("AOS"), has offices, manufacturing and warehouse facilities located in Roanoke, Virginia, near Asheville, North Carolina and near Dallas, Texas.

Optical Cable Corporation and its subsidiaries (collectively, the "Company" or "OCC®") is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market and various harsh environment and specialty markets (the non-carrier markets), offering integrated suites of high quality products which operate as a system solution or seamlessly integrate with other providers' offerings. OCC also manufactures and sells a significant amount of products in the wireless carrier market.

OCC's product offerings include designs for uses ranging from enterprise networks, datacenters, residential and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical, wireless carrier and broadcast applications.

OCC products include fiber optic and copper cabling, fiber optic and copper connectors, specialty fiber optic and copper connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, patch panels, face plates, multi-media boxes, fiber optic reels and accessories and other cable and connectivity management accessories, and are designed to meet the most demanding needs of end-users, delivering a high degree of reliability and outstanding performance characteristics.

The OCC team seeks to provide top-tier integrated communication solutions by bundling our products into systems that provide our customers and end-users with integrated cabling and connectivity solutions that are well-suited for their individual data communication and application requirements.

OCC® is internationally recognized for pioneering the design and production of fiber optic cables for the most demanding military field applications, as well as of fiber optic cables suitable for both indoor and outdoor use, and creating a broad product offering built on the evolution of these fundamental technologies. OCC® is also internationally recognized for its role in establishing copper connectivity data communications standards through its innovative technologies.

OCC manufactures its fiber optic cables at its ISO 9001:2008 registered and MIL-STD-790F certified facility located in Roanoke, Virginia, its enterprise connectivity products primarily at its ISO 9001:2008 registered facility located near Asheville, North Carolina, and its harsh environment and specialty connectivity products at its ISO 9001:2008 registered and MIL-STD-790F certified facility located near Dallas, Texas.

OCC designs, develops and manufactures fiber optic cables for a broad range of enterprise, harsh environment and specialty markets and applications. We refer to these products as our fiber optic cable offering. OCC designs, develops and manufactures fiber and copper connectivity products for the enterprise market, including a broad range of enterprise and residential applications. We refer to these products as our enterprise connectivity product offering. OCC designs, develops and manufactures a broad range of specialty fiber optic connectors and connectivity products primarily for use in military and other harsh environment applications. We refer to these products as our harsh environment and specialty connectivity product offering.

OCC markets and sells our harsh environment and specialty connectivity product offering through AOS under the names Optical Cable Corporation and OCC® by the efforts of our integrated OCC sales team.

Optical Cable Corporation owns 70% of the authorized membership interests of Centric Solutions LLC ("Centric Solutions"). Centric Solutions is a business founded in 2008 that provides turnkey cabling and connectivity solutions for the datacenter market. Centric Solutions operates and goes to market independently from Optical Cable Corporation; however, in some cases, Centric Solutions may offer products from OCC's product offering.

Optical Cable Corporation, OCC®, Procyon®, Procyon Blade™, Superior Modular Products, SMP Data Communications, Applied Optical Systems, and associated logos are trademarks of Optical Cable Corporation.

Products

OCC® is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market and various harsh environment and specialty markets (the non-carrier markets), offering an integrated suite of high quality, warranted products which operate as a system solution or seamlessly integrate with other providers' offerings. OCC also manufactures and sells a significant amount of products in the wireless carrier market. OCC's product offerings include designs for uses ranging from enterprise networks, datacenters, residential and campus installations to customized products for harsh environments and specialty applications, including military, industrial, mining, petrochemical, wireless carrier and broadcast applications.

OCC products include fiber optic and copper cabling, fiber optic and copper connectors, specialty fiber optic and copper connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, fiber optic and copper patch panels, face plates, multi-media boxes, fiber optic reels and accessories and other cable and connectivity management accessories. Our products are designed to meet the most demanding needs of end-users, delivering a high degree of reliability and outstanding performance characteristics.

Our fiber optic and copper cabling and connectivity products and solutions (predominantly passive, rather than active systems) are used for transmission of data, video, radio frequency and voice communications primarily over short- to moderate-distances.

Fiber Optic Cable Products

We design, manufacture, market and sell a broad array of top-tier fiber optic cables that provide high bandwidth transmission of data, video and voice communications primarily over short- to moderate-distances.

OCC is internationally recognized for pioneering the design and production of fiber optic cables for the most demanding military field applications, as well as fiber optic cables suitable for both indoor and outdoor use, and for creating a broad product offering built on the evolution of these fundamental technologies.

Our product line is diverse and versatile, in keeping with evolving application needs of customers within our markets. Our tight-buffered fiber optic cables address a wide range of needs, primarily for the enterprise market and various harsh environment and specialty markets (the non-carrier markets), ranging from enterprise networks, data centers, residential and campus installations, as well as the needs for the harsh environment and specialty markets including military, industrial, mining, petrochemical, and broadcast applications, and to a lesser extent the access market. OCC also manufactures and sells a significant amount of fiber optic cable and hybrid cable (fiber and copper) products in the wireless carrier market. Our patented tight-buffered fiber unit cables have both high fiber-count and rugged performance in a compact and lightweight design. We believe that we offer one of the most comprehensive tight-buffered fiber optic cable product offerings for our markets.

We produce fiber optic cables for specialized installations, including various hybrid cables (fiber and copper), and cables with specialty fibers. We can armor fiber optic cables for additional protection in certain installations. We offer cables suitable for underground or overhead installations. For overhead installations, we offer several self-supporting fiber optic cables including aerial messenger cables which feature self-supporting construction. We have fiber optic cables available in various flammability ratings. We offer cables combining different types of optical fiber and/or copper wires, with copper wires being used as power feeds or to facilitate the transition from copper wire to optical fiber-based systems without further installation of fiber optic cables. Our hybrid cables include a line of security cables which combine copper power feeds with optical fiber in the cables making them particularly well suited for surveillance cameras and other specialty applications. We also design and manufacture specialty fiber optic cables, such as for use in Fiber-to-the-Antenna ("FTTA") products for cell tower build-outs, military ground tactical, industrial (including tray cables), mining, deployable broadcast, oil and gas, festoon, pierside and high density datacenter applications. Our product offering further includes fiber optic cables complying with or certified to various standards for specialty applications, such as: U.S. Department of Defense MIL-PRF-85045/8B and U.K. Ministry of Defence Def-Stan 60-1, Part 3 qualifications for military ground tactical fiber optic cable; Det Norske Veritas (DNV) type approval certificate for marine shipboard and offshore platform applications; U.S. Mine Safety and Health Administration (MSHA) approval for use in mines; and American Bureau of Shipping (ABS) type approved cables. We also offer our customers a variety of customized constructions to meet their specific communication needs.

Copper Datacom Cable Products

We market and sell a wide range of high quality copper datacom cables, including unshielded twisted pair (UTP) and shielded twisted pair (U/FTP constructions), in Category 5e, Category 6 and Category 6A performance ratings, in riser and plenum configurations, and in various colors. The addition of copper datacom cables enables OCC to offer our customers an end-to-end solution for copper network installations.

Fiber Optic and Copper Enterprise Connectivity Products

We design, manufacture, market and sell innovative top-tier fiber optic and copper connectivity components for use in a broad range of enterprise, residential, military and harsh environment applications. We are internationally recognized for our role in establishing copper connectivity data communication standards, through our innovative technologies.

The following paragraphs summarize the major types of fiber optic and copper passive enterprise connectivity products and their attributes; however, we produce many other types of connectivity products as well:

Fiber Optic Connectivity Products. Our fiber optic connectivity products provide customers a comprehensive line of fiber optic system solutions for equipment rooms, telecommunications closets, datacenters and workstations, including unique infrastructure and cabling solutions for Passive Optical LAN ("POL") installations. Our product offering includes fiber optic wall mount, cabinet mount and rack mount enclosures, pre-terminated fiber optic enclosures, fiber optic connectors, splice trays, fiber optic jumpers, plug and play cassette modules, pre-terminated fiber optic cable assemblies, adapters, and accessories.

Copper Connectivity Products. OCC's copper enterprise connectivity products offer customers a comprehensive line of copper system solutions and line of component compliant products necessary for high speed data and voice applications in equipment rooms, telecommunications closets, datacenters and workstations. Our product offering includes: category compliant patch panels, jacks (standard keystone or proprietary bezel configuration), plugs, patch cords, faceplates, surface mounted boxes, distribution and multi-media boxes, copper rack mount and wall mount enclosures, cable assemblies, cable organizers, and other wiring products. OCC provides products compliant with Category 6A, 6 and 5e standards in both shielded and unshielded offerings and industry recognized Category 8 test qualification fixtures and Category 8 plugs. OCC pioneered the required technology for high performance twisted pair cabling and RJ45 connectivity applications to Ethernet, holding multiple patents for electrical performance and usability features.

Cabinets, Racks and Enclosures. We offer a wide array of high-performance network, data storage and telecommunications management systems for enterprise and residential use. Our product line includes data cabinets, wall mount enclosures, horizontal and vertical cable management systems and open frame relay racks. These products meet the demands of various network segments. Our products serve the equipment, cross-connect and termination needs for copper and fiber optic multi-media applications as well as wall mount and space saving UL listed ceiling mount enclosures for Passive Optical LANs.

Residential Products. Our product offering includes a comprehensive line of datacom wiring products comprised of various enclosures, modules and modular outlets designed for single dwelling and multiple dwelling residential use. By utilizing our products, customers obtain a convenient method for networking, customizing, distributing and managing services in the home including voice, data, video, audio and security.

Harsh Environment and Specialty Connectivity Products

We design, manufacture, market and sell specialty fiber optic connectors and connectivity components, certain ruggedized copper datacom connectors, and related deployable systems and solutions for military, other harsh environment and specialty applications. For deployable applications, we manufacture a full range of tactical fiber optic connectors that conform to U.S. Department of Defense standards, such as MIL-PRF-29504, MIL-DTL-83522, MIL-DTL-83526, NAVSEA 7379171, NAVSEA 7379172. In addition to military specified products, we also manufacture commercial grade versions of cylindrical connector products including EZ-MATE™, MHC®-II, MHC®-III and F-LINK™. Many of our products utilize a hermaphroditic design that allows for concatenation of assemblies without regard to connector gender. This design allows for quick and easy deployment and retrieval. To provide more comprehensive interconnect solutions, we designed and developed a complete family of lightweight reels and accessories. Our patented lightweight reels and our patent pending lightweight reel stands are approved for use by the United States military. We manufacture cylindrical connector product for fixed fiber optic or applications requiring optical fiber and copper connections in the same connector. We fabricate a wide variety of simplex, duplex and multi-channel fiber optic assemblies for uses as varied as mining, oil & gas, petrochemical, broadcast, industrial and military applications. Our product offering also includes ruggedized RJ45 connectors.

Distribution Methods of Products and Services

Our products are sold to major distributors, regional distributors, various specialty and smaller distributors, original equipment manufacturers, value-added resellers, and, in certain cases, end-users. Generally, our products are purchased from our customers by contractors, system integrators and end-users.

Competitive Business Conditions, Positions in the Industry and Methods of Competition

The fiber optic and copper data communications cables and connectivity enterprise markets and other short- to moderate-distance markets are highly competitive. Our fiber optic cable product lines compete with products of large fiber optic cable manufacturers such as Corning Incorporated, General Cable Corp, Belden Inc., Nexans S.A. (including Berk-Tek), CommScope Holding Company, Inc., OFS, AFL (a subsidiary of Fujikura), and others, some of which manufacture optical fiber. Our copper cable product lines compete with products of large copper cable manufacturers such as General Cable Corp., Belden Inc., Nexans S.A. (including Berk-Tek), CommScope Holding Company, Inc. and others. Our fiber optic and copper connectivity product lines compete with products of large fiber optic and copper connectivity manufacturers such as CommScope Holding Company, Inc., Corning Incorporated, Leviton, Legrand S.A. (including Ortronics), Panduit and others. Our harsh environment and specialty connectivity product lines compete with products of Amphenol Corporation (including AFSI), Delphi and others.

Some of our competitors are more established, benefit from greater market recognition and have much greater financial, research and development, production and marketing resources than we do. Competition could increase if new companies enter the market or if existing competitors expand their product lines.

Compliance with Environmental Laws

We are not aware of any material violations at our facilities of any local, state or federal environmental laws. We have not incurred any material expenditures related to environmental compliance during our 2015 fiscal year. We believe that we have materially complied with all applicable environmental regulations.

Research and Development Activities

Research and development costs totaled $1.3 million, $1.4 million and $1.4 million for the fiscal years ended October 31, 2015, 2014 and 2013, respectively. Our research and development costs related to a variety of research projects performed in connection with our enterprise connectivity product lines including, but not limited to, Category 8 Field Terminable Plug and Passive Optical LAN. The product development work with respect to our fiber optic cable products and our harsh environment and specialty connectivity products is generally performed in response to customer product development requests and is characterized as engineering expense allocated to costs of goods sold and selling, general and administrative expenses, rather than characterized as research and development costs.

Customers and End-Users

We have a global customer base, selling in over 50 countries in fiscal year 2015.

Our products are sold to major distributors, regional distributors, various specialty and smaller distributors, original equipment manufacturers, value-added resellers, and, in certain cases, end-users. Generally, our products are purchased from our customers by contractors, system integrators and end-users.

The following is a partial list of representative types of end-users of our fiber optic and copper connectivity and cable products:

- Commercial Institutions. Businesses located in offices, retail space, and medical facilities, to name a few, are installing or improving networks to distribute increasing volumes of data. These businesses often use high performance local area networks ("LANs") or datacenters.

- Government Agencies. Government agencies tend to have large buildings or complexes, many people, and the need to access and process large quantities of data. Like commercial institutions, these routinely include high performance LANs or datacenters. Security also may be desired, making our cabling and connectivity solutions a logical choice.

- Industrial and Manufacturing Facilities. Industrial and manufacturing facilities typically have a more severe environment (often with heavy electrical equipment) than other types of businesses. Our fiber optic cable and connectivity products in these environments offer ruggedness, immunity to electrical noise, high information carrying capacity and greater distance capability. Such facilities also have need for our copper cabling and connectivity products. Our products are installed in automotive assembly plants, steel plants, chemical and drug facilities, petrochemical facilities and petroleum refineries, mines and other similar environments.

- Cable Assembly Houses. Cable assembly houses typically manufacture cable assemblies, which are short lengths of cable pre-terminated with connectors. Supporting virtually all segments of the market, these manufacturers consume large quantities of cables and connectivity products. Products sold to customers in this market sometimes may be privately labeled.

- Military. Our core fiber optic cable technologies enable us to develop and efficiently produce fiber optic cables for military tactical applications that survive extreme mechanical and environmental conditions. We are certified by the United States Department of Defense ("U.S. DoD") as a qualified supplier of ground tactical fiber optic cable. Both our Roanoke and Dallas manufacturing facilities have also been certified by the U.S. DoD as MIL-STD-790F facilities, one of the most respected certifications in the defense industry. We also supply the U.S. DoD with tactical fiber optic cable assemblies, which we sell as fiber optic cables connectorized with qualified military connectors on military reels and reel stands ready for deployment.

- Educational Institutions. Colleges, universities, high schools and grade schools are installing and improving their networks for higher data transmission speeds, as well as using data communications solutions to support interactive learning systems.

- Wireless Carriers. We design and manufacture various specialty fiber optic and hybrid (fiber and copper) cables for FTTA applications such as cell phone tower build-outs and upgrades.

- Original Equipment Manufacturers. We private label a number of our copper connectivity products for other major manufacturers of copper connectivity, including major competitors.

Our extensive technology base and versatile manufacturing processes enable us to respond to diverse customer needs.

Employees

As of October 31, 2015, we employed a total of 342 persons (excluding independent sales representatives and firms and employees of Centric Solutions). None of our employees is represented by a labor union. We have experienced no work stoppages and we continue to take steps we believe appropriate to ensure our employee relations are good.

Item 1A. RISK FACTORS

Item 1A. Risk Factors is not required for a “smaller reporting company” as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Certain risk factors that may adversely affect the Company, the Company’s future results of operations and future financial condition, and future market valuation of the Company are mentioned under “Forward-Looking Information” included in Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report for the fiscal year ended October 31, 2015 (filed as Exhibit 13.1 to this report on Form 10-K), and in our Quarterly Reports on Form 10-Q.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We own our facility located in Roanoke County, Virginia, and the land on which our Roanoke facility is located. Our Roanoke facility primarily houses our corporate headquarters, our fiber optic cable manufacturing operations, our fiber optic cable product development function and our fiber optic cable warehouse. Our Roanoke facility is situated on approximately 23 acres of land near the Roanoke, Virginia airport and major trucking company facilities. Our Roanoke facility building is approximately 146,000 square feet.

We own our facility near Asheville, North Carolina (in Swannanoa, North Carolina) and the land on which our Asheville facility is located. Our Asheville facility primarily houses administrative offices, our enterprise connectivity manufacturing operations, our enterprise connectivity product development function and our enterprise connectivity warehouse. Our Asheville facility is situated on approximately 13 acres of land located east of Asheville, North Carolina. The Asheville facility includes two buildings totaling approximately 64,000 square feet.

We lease our facility near Dallas, Texas (in Plano, Texas). Our Dallas facility primarily houses administrative offices, our harsh environment and specialty connectivity manufacturing operations, our harsh environment and specialty connectivity product development function and our harsh environment and specialty connectivity warehouse. Our Dallas facility is located in an industrial complex of suites. The space leased is approximately 34,000 square feet.

We lease a warehouse facility in Roanoke, Virginia. The space leased is approximately 36,000 square feet and is used primarily to store raw materials related to our fiber optic cable products.

We believe that we are currently operating at approximately 50% of our production equipment capacity on average at our collective manufacturing facilities during fiscal year 2015. Since various production equipment is specialized and our product mix varies, individual manufacturing equipment may operate at higher or lower production capacity during various times during any given period of time.

Additional personnel would need to be hired and trained, additional warehousing space may be needed, and, depending on product mix, certain additional production equipment may need to be acquired, to utilize our excess production equipment capacity at all of our facilities. We can provide no assurance as to the time required to complete the process of hiring and training personnel or acquire and install certain additional production equipment or our ability to secure additional warehousing space, necessary to utilize our excess production capacity.

Centric Solutions leased a facility near Dallas, Texas (in Coppell, Texas). This Coppell facility housed administrative offices, manufacturing operations and warehouse space. The space leased was approximately 23,000 square feet. Centric Solutions’ facility lease expired November 30, 2015, subsequent to the end of OCC’s fiscal year 2015. OCC has transitioned Centric Solutions’ business to OCC’s existing facility near Dallas, Texas.

Item 3. LEGAL PROCEEDINGS

From time to time, we are involved in various claims, legal actions and regulatory reviews arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information pertaining to shareholders beneficially owning more than five percent of the Company's common stock and the security ownership of management, which is set forth under the caption "Beneficial Ownership of Securities" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

The Company had 7,059,548 shares of common stock issued and outstanding at October 31, 2015. Employees of the Company and members of the Board of Directors owned at least 36.6% of the shares issued and outstanding at October 31, 2015, including shares still subject to potential forfeiture based on vesting requirements.

Issuer Purchases of Equity Securities

The Company has a plan, approved by its Board of Directors on July 14, 2015, to purchase and retire up to 400,000 shares of the Company's common stock, or approximately 6.0% of the shares then outstanding. The Company anticipates that the purchases will be made over a 24- to 36-month period, but there is no definite time period for repurchase. For the three-month period ended October 31, 2015, the Company did not repurchase and retire any shares of its outstanding common stock and had 398,400 shares remaining to purchase under this plan.

The information contained under the caption "Corporate Information" of our Annual Report for the fiscal year ended October 31, 2015, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA

Not required for a "smaller reporting company" as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report for the fiscal year ended October 31, 2015, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of October 31, 2015, our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information contained under the captions "Consolidated Financial Statements," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm" of our Annual Report for the fiscal year ended October 31, 2015, filed as Exhibit 13.1 to this report on Form 10-K, is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in our accountants and we did not have any disagreements with our accountants on any accounting matter or financial disclosure made during our fiscal year ended October 31, 2015.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to be effective in providing reasonable assurance that information required to be disclosed in reports under the Exchange Act are recorded, processed and summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"), and that such information is accumulated and communicated to management to allow for timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of October 31, 2015, the Company completed an evaluation, under the supervision and with the participation of management, including the chief executive officer and the chief financial officer (principal accounting officer and principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of October 31, 2015.

Management's Annual Report on Internal Control Over Financial Reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) 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 are being made only in accordance with authorizations of our management and directors of the Company; and (iii) 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 the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline. Management conducted an evaluation of the design and effectiveness of the Company's system of internal control over financial reporting as of October 31, 2015, based on the framework set forth in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on its evaluation, management concluded that, as of October 31, 2015, the Company's internal control over financial reporting was effective.

Changes in Internal Control Over Financial Reporting.

There were no changes in the Company's internal controls over financial reporting during the fourth fiscal quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

For information with respect to the Directors of the registrant, see "Election of Directors," "Directors," and "Executive Officers" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference.

For information with respect to the executive officers of the registrant, see "Executive Officers" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, which information is incorporated herein by reference.

The information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, which is set forth under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

The information concerning the Company's code of ethics that applies to the Company's principal executive officer and the Company's senior financial officers required by this Item is incorporated by reference to the Company's Proxy Statement under the heading "Code of Ethics."

Item 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Executive Compensation," and "Director Compensation" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans:			
Second Amended & Restated 2011 Stock Incentive Plan	830,817 shares	$ —	360,482 shares
Total	830,817 shares	$ —	360,482 shares

(1) Includes restricted shares that are issued and outstanding, but have not yet vested and are subject to forfeiture.

The term "shares" in the table above means our common shares.

The information concerning stock ownership by directors, executive officers and shareholders beneficially owning more than five percent of the Company's common stock, which is set forth under the caption "Beneficial Ownership of Securities" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

The information concerning securities authorized for issuance under equity compensation plans required by this Item, pursuant to Item 201(d) of Regulation S-K, is incorporated by reference to the Company's Proxy Statement under the heading "Equity Compensation Plans Information."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information with respect to certain transactions with management of the Company, which is set forth under the caption "Certain Relationships and Related Transactions" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information with respect to certain principal accountant fees and services, which is set forth under the caption "Independent Registered Public Accounting Firm" in the Proxy Statement for the 2016 Annual Meeting of Shareholders of the Company, is incorporated herein by reference.

The information concerning pre-approval policies for audit and non-audit services required by this Item is incorporated by reference to the Company's Proxy Statement under the heading "Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm."

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) List of documents filed as part of this report:

1. Financial statements: The Company's consolidated financial statements and related notes thereto are hereby incorporated by reference to pages 25 to 47 of the Company's Annual Report filed as Exhibit 13.1 to this Form 10-K.

2. Financial statement schedules: All schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes thereto.

3. Exhibits to this Form 10-K pursuant to Item 601 of Regulation S-K are as follows:

Exhibit No.	Description
3.1	Articles of Amendment filed November 5, 2001 to the Amended and Restated Articles of Incorporation, as amended through November 5, 2001 (incorporated herein by reference to Exhibit 1 to the Company's Form 8-A12G filed with the Commission on November 5, 2001).
3.2	Articles of Amendment filed July 5, 2002 to the Amended and Restated Articles of Incorporation, as amended through July 5, 2002 (incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed July 5, 2002.
3.3	Amended and Restated Bylaws of Optical Cable Corporation (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the third quarter ended July 31, 2011).
4.1	Form of certificate representing Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the third quarter ended July 31, 2004 (file number 0-27022)).
4.2	Form of certificate representing Common Stock (incorporated herein by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the third quarter ended July 31, 2012).
4.3	Stockholder Protection Rights Agreement dated as of October 28, 2011, between Optical Cable Corporation and American Stock Transfer & Trust Company, LLC, as Rights Agent, including as Exhibit A The Forms of Rights Certificate and Election to Exercise (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-A12G filed with the Commission on November 1, 2011).
4.4	Credit Agreement dated May 30, 2008 by and between Optical Cable Corporation and Superior Modular Products Incorporated as borrowers and Valley Bank as lender in the amount of $17,000,000 consisting of a Revolver in the amount of $6,000,000; Term Loan A in the amount of $2,240,000; Term Loan B in the amount of $6,500,000; and a Capital Acquisitions Term Loan in the amount of $2,260,000 (incorporated herein by reference to Exhibit 4.16 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.5	Credit Line Deed of Trust dated May 30, 2008 between Optical Cable Corporation as Grantor, LeClairRyan as Trustee and Valley Bank as Beneficiary (incorporated herein by reference to Exhibit 4.17 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.6	Deed of Trust, Security Agreement and Fixtures Filing dated May 30, 2008 by and between Superior Modular Products Incorporated as Grantor, LeClairRyan as Trustee and Valley Bank as Beneficiary (incorporated herein by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.7	Security Agreement dated May 30, 2008 between Optical Cable Corporation and Superior Modular Products Incorporated and Valley Bank (incorporated herein by reference to Exhibit 4.19 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.8	Term Loan A Note in the amount of $2,240,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).
4.9	Term Loan B Note in the amount of $6,500,000 by Optical Cable Corporation and Superior Modular Products Incorporated dated May 30, 2008 (incorporated herein by reference to Exhibit 4.22 of the Company's Annual Report on Form 10-K for the period ended October 31, 2008 filed January 29, 2009).

4.10	First Loan Modification Agreement dated February 16, 2010 by and between Optical Cable Corporation and Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed February 22, 2010).
4.11	Second Loan Modification Agreement dated April 30, 2010 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 4.13 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
4.12	Addendum A to Commercial Note dated April 30, 2010 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 4.14 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2010 filed June 14, 2010).
4.13	Third Loan Modification Agreement dated April 22, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated April 28, 2011).
4.14	Fourth Loan Modification Agreement dated July 25, 2011 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 99.2 to the Company’s Current Report on Form 8-K dated July 26, 2011).
4.15	Fifth Loan Modification Agreement dated August 31, 2012 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K dated August 31, 2012).
4.16	Commercial Note dated August 30, 2013 by and between Optical Cable Corporation and SunTrust Bank in the principal amount of $9,000,000 (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 3, 2013).
4.17	Agreement to Commercial Note dated August 30, 2013 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated September 3, 2013).
4.18	Addendum A to Commercial Note dated August 30, 2013 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated September 3, 2013).
4.19	Sixth Loan Modification Agreement dated August 30, 2013 by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and Valley Bank (incorporated herein by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated September 3, 2013).
4.20	Binding Letter of Renewal dated August 11, 2014 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated August 11, 2014).
4.21	Binding Letter of Renewal dated May 7, 2015 by and between Optical Cable Corporation and SunTrust Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated May 8, 2015).
4.22	Amended and Restated Security Agreement dated May 7, 2015 by Optical Cable Corporation in favor of SunTrust Bank (incorporated herein by reference to Exhibit 10.2 to the Company’s Current Report dated May 8, 2015).
4.23	Seventh Loan Modification Agreement dated January 25, 2016, by and between Optical Cable Corporation, for itself and as successor by merger to Superior Modular Products Incorporated, and BNC Bancorp, successor in interest to Valley Bank. FILED HEREWITH.
4.24	Modification to Commercial Note and Agreement to Commercial Note dated January 25, 2016 by and between Optical Cable Corporation and with SunTrust Bank. FILED HEREWITH.
4.25	Second Amended and Restated Security Agreement dated January 25, 2016 by Optical Cable Corporation, in favor of SunTrust Bank, its present and future affiliates and their successors and assigns. FILED HEREWITH.
10.1*	Optical Cable Corporation 2005 Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s definitive proxy statement on Form 14A filed February 23, 2005).
10.2*	Optical Cable Corporation 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s definitive proxy statement on Form 14A filed February 23, 2011).

10.3*	Optical Cable Corporation Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed February 27, 2013).
10.4*	Optical Cable Corporation Second Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement on Form 14A filed March 4, 2015).
10.5*	Form of time vesting award agreement under the Optical Cable Corporation 2005 Stock Incentive Plan, 2011 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2006 filed June 14, 2006).
10.6*	Form of operational performance (Company financial performance measure) vesting award agreement under the Optical Cable Corporation 2005 Stock Incentive Plan, 2011 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.20 of the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2009 filed June 12, 2009).
10.7	Notice of Exercise of Warrant by the Company to purchase 98,741 shares of common stock of Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.8	Stock Purchase Agreement dated October 31, 2009 by and among the Company, as buyer and G. Thomas Hazelton, Jr. and Daniel Roehrs as sellers (incorporated herein by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.9	Buy-Sell Agreement dated October 31, 2009, by and between G. Thomas Hazelton, Jr., as guarantor, and the Company (incorporated herein by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.10	Indemnification Agreement dated October 31, 2009, between the Company and Applied Optical Systems, Inc. (incorporated herein by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.11	Supplemental Agreement dated October 31, 2009, by and among the Company, as buyer, Applied Optical Systems, Inc., George T. Hazelton Family Trust, G. Thomas Hazelton, Jr., and Daniel Roehrs (incorporated herein by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.12	Termination Agreement dated October 31, 2009, by and among Applied Optical Systems, Inc., the Company, as lender, and G. Thomas Hazelton, Jr. and Daniel Roehrs (incorporated herein by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.13	Warrant Exercise Agreement between the Company and Applied Optical Systems, Inc. dated October 30, 2009 (incorporated herein by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K for the period ended October 31, 2009 filed January 29, 2010).
10.14	Redemption Agreement by and between Optical Cable Corporation and BB&T Capital Markets dated September 20, 2012 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed September 21, 2012).
10.15	Redemption Agreement by and between Optical Cable Corporation and BB&T Capital Markets dated July 14, 2015 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 14, 2015).
10.16*	Amended and restated Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective April 11, 2011 (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed April 15, 2011).
10.17*	Amendment, effective December 18, 2012, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective April 11, 2011 (incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2013 filed March 15, 2013).
10.18*	Second Amendment, effective March 14, 2014, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Neil D. Wilkin, Jr. effective April 1, 2011, as amended December 18, 2012 (incorporated herein by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2014 filed March 14, 2014).

10.19*	Amended and restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 11, 2011 (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 15, 2011).
10.20*	Amendment, effective December 18, 2012, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 11, 2011 (incorporated herein by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2013 filed March 15, 2013).
10.21*	Second Amendment, effective March 14, 2014, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 1, 2011, as amended December 18, 2012 (incorporated herein by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2014 filed March 14, 2014).
11.1	Statement regarding computation of per share earnings (incorporated by reference to note 14 of the Notes to Consolidated Financial Statements contained herein).
13.1	Annual Report. FILED HEREWITH.
21.1	List of Subsidiaries. FILED HEREWITH.
23.1	Consent of Independent Registered Public Accounting Firm. FILED HEREWITH.
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. FILED HEREWITH.
101	The following materials from the Company's Annual Report on Form 10-K for the year ended October 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of October 31, 2015 and 2014, (ii) Consolidated Statements of Operations for the years ended October 31, 2015, 2014 and 2013, (iii) Consolidated Statements of Shareholders' Equity for the years ended October 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended October 31, 2015, 2014 and 2013, and (v) Notes to Consolidated Financial Statements. FILED HEREWITH.

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* Management contract or compensatory plan or agreement.

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.

OPTICAL CABLE CORPORATION

Date: January 28, 2016	By:	/S/ NEIL D. WILKIN, JR.
		Neil D. Wilkin, Jr. **Chairman of the Board of Directors,** **President and Chief Executive Officer**
Date: January 28, 2016	By:	/S/ TRACY G. SMITH
		Tracy G. Smith **Senior Vice President and Chief Financial Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of January 28, 2016.

Date: January 28, 2016	/S/ NEIL D. WILKIN, JR.
	Neil D. Wilkin, Jr. **Chairman of the Board of Directors,** **President and Chief Executive Officer**
Date: January 28, 2016	/S/ RANDALL H. FRAZIER
	Randall H. Frazier **Director**
Date: January 28, 2016	/S/ JOHN M. HOLLAND
	John M. Holland **Director**
Date: January 28, 2016	/S/ CRAIG H. WEBER
	Craig H. Weber **Director**
Date: January 28, 2016	/S/ JOHN B. WILLIAMSON, III
	John B. Williamson, III **Director**

Exhibit 4.23

SEVENTH LOAN MODIFICATION AGREEMENT

THIS SEVENTH LOAN MODIFICATION AGREEMENT, is made as of the 25th day of January, 2016, by and between OPTICAL CABLE CORPORATION, a Virginia corporation (the “Borrower”), for itself and as successor by merger to Superior Modular Products Incorporated, formerly a Delaware corporation and BNC BANCORP (the “Bank”), successor in interest to Valley Bank.

WHEREAS, the Borrower and Superior Modular Products Incorporated and the Bank's predecessor in interest entered into that certain Credit Agreement dated May 30, 2008, which was amended by that certain First Loan Modification Agreement (the “First Modification”) between the Borrower and the Bank's predecessor in interest dated as of the 16th day of February, 2010, by that certain Second Loan Modification Agreement (the “Second Modification”) between the Borrower and the Bank's predecessor in interest dated as of the 30th day of April, 2010, by that certain Third Loan Modification Agreement (“Third Modification”) between the Borrower and the Bank's predecessor in interest dated as of the 22nd day of April, 2011, by that certain Fourth Loan Modification Agreement (“Fourth Modification”) between the Borrower and the Bank's predecessor in interest dated as of the 25th day of July, 2011, by that certain Fifth Loan Modification Agreement (“Fifth Modification”) between the Borrower and the Bank's predecessor in interest dated as of the 31st day of August, 2012, and by that certain Sixth Loan Modification Agreement (the "Sixth Modification") between the Borrower and Bank's predecessor in interest dated as of August 30, 2013 (as amended, the “Credit Agreement”);

WHEREAS, the Borrower and the Bank desire to modify the terms of the Credit Agreement and the other Loan Documents as provided herein.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties hereto agree as follows:

1. The foregoing recitals are incorporated in and constitute terms of this Agreement.

2. Capitalized terms contained in this Agreement which are not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

3. The Credit Agreement is amended as follows:

A. The following text shall be added as the new subsection 7.1(e): Borrower shall provide Bank through January 31, 2017, with Borrower's unaudited internally prepared financial statements to include income statement, balance sheet, statement of shareholder equity and statement of cash flows (which financial statements will not include certain closing and other adjustments typically done at quarter end and which will not include footnotes), certified by an authorized officer of Borrower as to their accuracy, within twenty (20) business days after the close of each month (or 45 days after the close of any month at the end of a quarter) during such time period. Nothing in this subparagraph affects the requirements of subparagraph 7.1(d).

B. Section 7.10(b) of the Credit Agreement (as previously modified by the Second Modification) is amended by deleting the first sentence thereof and adding the following text:

An Interest Coverage Ratio (hereinafter defined) not less than (a) 1.25 to 1.00 for the Borrower’s fiscal quarter ending April 30, 2016, and (b) 1.50 to 1.00 for the Borrower’s fiscal quarter ending July 31, 2016 and October 31, 2016. For purposes hereof, “Interest Coverage Ratio” means Adjusted EBITDA (hereinafter defined), plus Eligible Severance Cost Expense (hereinafter defined), divided by consolidated interest expense, defined in accordance with GAAP consistently applied. Further, as used herein, “Eligible Severance Cost Expense” means severance cost expense incurred by Borrower in fiscal year 2016.

Beginning with the fiscal quarter ending January 31, 2017 and at all times thereafter, a consolidated Debt Service Coverage Ratio of not less than 1.5 to 1.00.

C. Notwithstanding anything to the contrary in the Credit Agreement or the other Loan Documents, the Bank consents (i) to the Borrower granting to SunTrust Bank a first priority purchase money security interest on any equipment that is purchased after the date hereof with the loan proceeds of the SunTrust Debt, and (ii) to the execution and performance of that certain Modification to Commercial Note and Agreement to Commercial Note between the Borrower and SunTrust Bank dated as of the date hereof, that certain Second Amended and Restated Security Agreement (Commercial) between the Borrower and SunTrust Bank dated as of the date hereof and any other documents required or contemplated therein, and the granting of a second priority security interest to SunTrust Bank in all equipment owned by Borrower.

D. Negative Covenants. The following text is hereby added to the Credit Agreement as the new Section 8.10 (Additional Negative Covenants):

(a) Additional Indebtedness. From the date hereof and extending through October 31, 2016, Borrower shall not, and shall not permit any subsidiary (if any) to, create, incur, assume or permit any indebtedness for money borrowed, reimbursement obligations under letters of credit, capital lease obligations or hedging obligations but specifically excluding trade payables incurred in the ordinary course of business (collectively, "Indebtedness") or any guarantees or endorsements of any Indebtedness, other than Indebtedness to Bank or Indebtedness to SunTrust, without the prior written consent of Bank.

(b) Dividend Payments. Upon the occurrence and during the continuation of an Event of Default or any event or condition that with the passage of time or the giving of notice or both would become an Event of Default, Borrower will not declare or make, or agree to pay or make, directly or indirectly, any dividend or distribution on any class of its stock (excluding stock dividends, grants under the Borrower's stock incentive plan, and excluding other similar non-cash and non-real or non-personal property distributions); provided that any dividend or distribution made prior to the date hereof shall not be deemed a violation of this provision. Prior to an Event of Default or the occurrence of any event or condition that with the passage of time or the giving of notice or both would become an Event of Default, Borrower may declare or make dividends or distributions on any class of its stock in an aggregate amount not to exceed $700,000.00 in any one fiscal year.

E. Any default or event of default under any agreement by and between Borrower and any financial institution which has made one or more extensions of credit for borrowed money to Borrower (excluding any trade accounts payable or other amounts owed in the normal course of business) shall be a default under the Credit Agreement.

4. Waiver of Event of Default. Bank hereby waives any default or event of default resulting from Borrower's failure to comply with the Debt Service Coverage Ratio set forth in the Credit Agreement for the fiscal quarters ending October 31, 2015, and January 31, 2016; provided, however, that such waiver does not cover any date or period of time after January 31, 2016.

5. As a condition of this Agreement, the Borrower shall pay the reasonable fees and costs of the Bank's counsel, if any. The modifications contained in this Agreement do not constitute or create a novation of any of the Loan Documents or the Loans.

6. Except as expressly modified hereby and by the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the Fifth Modification and the Sixth Modification all terms and conditions of the Loan Documents remain unchanged, and of full force and effect in accordance with their terms.

7. The Borrower hereby acknowledges Bank's performance of all of Bank's obligations under the Loan Documents, ratifies all of the Loan Documents, as expressly modified hereby and by the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the Fifth Modification and the Sixth Modification and certifies that they are enforceable in accordance with their terms, without defense or offset, and affirms that Term Loan A and Term Loan B are secured by a first lien deed of trust on the Real Property.

8. The Borrower represents and warrants to the Bank to induce the Bank to enter into this Agreement, that the execution, delivery and performance of this Agreement has been duly authorized by all requisite action and such authorization has not been rescinded, and that all representations and warranties made by it in the Loan Documents are true, correct and enforceable on and as of the date hereof.

9. The effective date of this Agreement shall be the date first hereinabove written.

10. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia. The parties consent to the jurisdiction and venue of the courts of the Commonwealth of Virginia, specifically to the courts of the City of Roanoke, Virginia, and to the jurisdiction and venue of the United States District Court for the Western District of Virginia in connection with any action, suit or proceeding arising out of or relating to this Agreement.

11. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12. This Agreement may be signed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

[The signature page follows]

IN WITNESS WHEREOF, the parties have caused this Seventh Loan Modification Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BORROWER:	OPTICAL CABLE CORPORATION
	By: /s/ Tracy G. Smith
	Name: Tracy G. Smith
	Title: Senior Vice President, Chief Financial Officer and Secretary
BANK:	BNC BANCORP
	By: /s/ Scott L. Leffel
	Name: Scott L. Leffel
	Title: Senior Vice President

MODIFICATION TO
COMMERCIAL NOTE AND AGREEMENT TO COMMERCIAL NOTE

THIS MODIFICATION TO COMMERCIAL NOTE AND AGREEMENT TO COMMERCIAL NOTE (this “Agreement”) is made as of the 25th day of January, 2016, by and among **OPTICAL CABLE CORPORATION**, a Virginia corporation (the “Borrower”), and **SUNTRUST BANK** (the “Bank”).

RECITALS

A. Bank extended credit to Borrower (the “Loan”) as evidenced by that certain Commercial Note dated as of August 30, 2013 made by Borrower payable to the order of Bank in the original principal amount of up to Nine Million and No/100 Dollars ($9,000,000.00) (as modified, amended, renewed, restated or replaced from time to time, the “Note”).

B. Bank and Borrower entered into that certain Agreement to Commercial Note dated of even date with the Note (as modified or amended from time to time, the “Agreement to Commercial Note”), setting forth certain terms and conditions of the Loan.

C. The Loan is secured by, among other collateral, certain personal property more particularly described in one or more security agreements and related instruments executed by Borrower in favor of Bank (as modified or amended from time to time, the “Security Instruments”).

D. Bank and Borrower mutually desire to modify and amend the provisions of the Note and Agreement to Commercial Note in the manner hereinafter set out, it being specifically understood that, except as herein modified and amended, the terms and provisions of the Note and Agreement to Commercial Note shall remain unchanged and continue in full force and effect as therein written.

AGREEMENT

NOW, THEREFORE, effective as of the date first written above, Bank and Borrower, in consideration of Bank’s continued extension of credit and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the foregoing, hereby agree that the Note and Agreement to Commercial Note shall be, and the same hereby are, modified and amended as follows:

1. Modification to Interest Rate. The Note is hereby modified and amended by deleting the text “*Index plus 2.20% per annum*” where it appears in the section of the Note entitled “Interest” and replacing such text with “*Index plus 2.75% per annum*”.

2. Monthly Financial Reports. The following text is hereby added to the end of Section I(A) of the Agreement to Commercial Note:

In addition to the foregoing, but only through January 31, 2017, Borrower's unaudited monthly Financial Statement (which will not include certain closing and other adjustments typically done at quarter end and which will not include footnotes), certified by an authorized officer of Borrower as to its accuracy, shall be delivered to SunTrust within twenty (20) days after the close of each month (or forty-five (45) days after the close of any month at the end of one of Borrower's fiscal quarters).

3. Revisions to Financial Performance Covenants. The text which reads "*A consolidated debt service coverage ratio of not less than 1.5 to 1.00*" is hereby deleted where it appears in Section I(F)(ii) of the Agreement to Commercial Note and is replaced with the following text:

ii. An Interest Coverage Ratio (hereinafter defined) not less than (a) 1.25 to 1.00 for the Borrower's fiscal quarter ending April 30, 2016, and (b) 1.50 to 1.00 for the Borrower's fiscal quarter ending July 31, 2016 and October 31, 2016. For purposes hereof, "Interest Coverage Ratio" means Adjusted EBITDA (hereinafter defined), plus Eligible Severance Cost Expense (hereinafter defined), divided by consolidated interest expense, defined in accordance with GAAP consistently applied. Further, as used herein, "Eligible Severance Cost Expense" means severance cost expense incurred by Borrower in fiscal year 2016 as approved by SunTrust in its reasonable discretion.

Beginning with the fiscal quarter ending January 31, 2017 and at all times thereafter, a consolidated debt service coverage ratio of not less than 1.5 to 1.00.

4. Advances for Purchase Money Purposes. The Agreement to Commercial Note is hereby modified and amended by inserting the following text as a new Section I(G):

G. Any equipment financed after the date hereof with the proceeds of the loan evidenced by the Note shall be for the sole purpose of simultaneous acquisition of purchase money equipment. Borrower shall take all steps deemed necessary by SunTrust to ensure that SunTrust has been granted a first priority purchase money security interest in such equipment purchased with such proceeds after the date hereof, which steps may include, without limitation, written notice to the holder of any conflicting security interest (stating that SunTrust expects to acquire a purchase money security interest in certain goods of Borrower and describing those goods with particularity), which notice must be received by such other secured creditor prior to the Borrower's receipt of the goods.

5. <u>Negative Covenants</u>. The following text is hereby added as new Sections II(C), II(D) and II(E) of the Agreement to Commercial Note:

C. Additional Indebtedness. Borrower shall not, and shall not permit any Subsidiary (if any) to, create, incur, assume or permit any indebtedness for money borrowed, reimbursement obligations under letters of credit, capital lease obligations or hedging obligations, but specifically excluding trade payables incurred in the ordinary course of business (collectively, "Indebtedness") or any guarantees or endorsements of any Indebtedness, other than (i) Indebtedness to SunTrust, (ii) Indebtedness to BNC Bancorp existing as of the date hereof, (iii) Indebtedness disclosed in writing to SunTrust prior to the date hereof, and/or (iv) other Indebtedness not to exceed $100,000.00 per extension of credit or $250,000.00 in the aggregate at any one time, without the prior written consent of SunTrust.

D. Dividend Payments. Upon the occurrence and during the continuation of an Event of Default or any event or condition that with the passage of time or the giving of notice or both could become an Event of Default, Borrower will not declare or make, or agree to pay or make, directly or indirectly, any dividend or distribution on any class of its stock (excluding non-cash stock dividends or grants under the Borrower's stock incentive plan, and excluding other similar non-cash and non-real or non-personal property distributions), provided that any dividend or distribution made prior to the date hereof shall not be deemed a violation of this subsection. Prior to an Event of Default or the occurrence of any event or condition that with the passage of time or the giving of notice or both would become an Event of Default, Borrower may declare or make dividends or distributions on any class of its stock in an aggregate amount not to exceed $700,000.00 in any one fiscal year on the condition that the Borrower shall have demonstrated, to SunTrust's reasonable satisfaction that, both before and after giving effect to any such dividend or distribution, the Borrower shall have satisfied the Dividend Covenant Requirements (as such term is hereinafter defined). As used herein, the term "Dividend Covenant Requirements" shall mean (i) the Borrower shall have demonstrated minimum liquidity (defined as cash, plus then-current availability under the Note in accordance with this Agreement) which is not less than $2,000,000.00, and (ii) a Tangible Net Worth Ratio (hereinabove defined) which is not greater than 0.75 to 1.00.

E. Capital Expenditures. Except for those capital expenditures set forth on <u>Schedule 1</u> attached hereto, until January 31, 2017, Borrower's capital expenditures shall not exceed (i) $100,000.00 per occurrence, or (ii) $250,000.00 in the aggregate during any one fiscal year, without the prior written consent of SunTrust.

6. Incorporation of Schedule. As of the date hereof, Schedule 1 attached to this Agreement is hereby deemed to be attached to the Agreement to Commercial Note and incorporated therein.

7. Cross-Default. The following text is hereby added as new Section IV to the Agreement to Commercial Note:

IV. ADDITIONAL EVENTS OF DEFAULT

A. Any default or event of default under any agreement by and between Borrower and a financial institution who has extended Indebtedness described in Section II(C) hereof.

8. Waiver of Event of Default. Upon the request of Borrower, and solely as a voluntary accommodation, Bank hereby waives any default or event of default resulting from Borrower's failure to comply with the Debt Service Coverage Ratio set forth in Section I(F) of the Agreement to Commercial Note for the fiscal quarters ending October 31, 2015 and January 31, 2016; provided, however, that such waiver shall not be or be construed or deemed to be a waiver of any other covenants, terms or conditions of the Agreement to Commercial Note, the Note, or any other loan document, and such waiver does not cover any date or period of time after January 31, 2016.

9. Conditions Precedent to Effectiveness. In consideration of the undertakings described herein and as a condition precedent to the effectiveness of this Agreement, (a) Borrower shall have executed and delivered the Second Amended and Restated Security Agreement in the form attached hereto as Exhibit A pursuant to which, among other things, Borrower shall grant to Bank a second priority security interest in all equipment owned by Borrower, junior in priority only to the security interest of BNC Bancorp, (b) Borrower hereby authorizes the Bank to file any and all financing statements or financing statement amendments in connection with the security interest granted by the foregoing instrument, (c) Borrower shall have delivered to Bank evidence satisfactory to Bank that BNC Bancorp has specifically consented to the security interests described in the foregoing instrument, (d) contemporaneously herewith, Borrower shall pay to Bank a waiver and modification fee of $25,000.00, and (e) all expenses incurred in connection with this closing (including, without limitation, all reasonable attorneys' fees) shall be paid by Borrower.

10. Integration. This Agreement shall become a part of the Note and Agreement to Commercial Note by reference and that nothing herein contained shall impair the security now held for said indebtedness, nor shall waive, annul, vary or affect any provision, condition, covenant or agreement contained in the Note or Agreement to Commercial Note, except as herein amended, nor affect or impair any rights, powers or remedies under the Note or Agreement to Commercial Note, each as hereby amended.

11. Ratification. Borrower promises and agrees to pay and perform all of the requirements, conditions and obligations under the terms of the Note and Agreement to Commercial Note, as hereby modified and amended, said documents being hereby ratified and affirmed. The execution and delivery hereof shall not constitute a novation or modification of the lien, encumbrance or security title of any security instrument executed in connection with the Note, including, without limitation, the Security Instruments, which security instruments shall retain their priority as originally filed for record. Borrower expressly agrees that the Note and Agreement to Commercial Note are in full force and effect and that Borrower has no right to setoff, counterclaim or defense to the payment thereof. Any reference contained in the Note and/or Agreement to Commercial Note, as amended herein, or any of the other documents evidencing, securing or otherwise executed in connection with the Loan to the Note or Agreement to Commercial Note shall hereinafter be deemed to be a reference to such document as amended hereby.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to principles of conflict of laws.

13. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of any assignee or the respective heirs, executors, administrators, successors and assigns of the parties hereto.

14. Allonge. This Agreement shall be deemed to have been attached to the Note as an allonge.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute any of such counterparts.

16. Effectiveness. This Agreement shall become null and void and of no further force or effect unless it shall have been executed in full by the undersigned parties on or before the close of business on Friday, January 29, 2016.

[SIGNATURE PAGES FOLLOW]

MODIFICATION TO
COMMERCIAL NOTE AND AGREEMENT TO COMMERCIAL NOTE

[SIGNATURE PAGE]

IN WITNESS WHEREOF, this instrument has been executed under seal by the parties hereto and delivered on the date and year first above written.

BORROWER:

OPTICAL CABLE CORPORATION, a Virginia corporation

By: /s/ Tracy G. Smith (SEAL)
Name: Tracy G. Smith
Title: Senior Vice President and Chief Financial Officer

BANK:

SUNTRUST BANK

By: /s/ Chad H. Brown (SEAL)
Name: Chad H. Brown
Title: Senior Vice President

EXHIBIT A TO
MODIFICATION TO
COMMERCIAL NOTE AND AGREEMENT TO COMMERCIAL NOTE

[SECOND AMENDED AND RESTATED SECURITY AGREEMENT
ATTACHED HERETO]

SUNTRUST

Second Amended and Restated
Security Agreement (Commercial)
Blanket Lien; Accounts and General Intangibles
Inventory, Accounts and General Intangibles
Furniture, Fixtures and Equipment

THIS SECOND AMENDED AND RESTATED SECURITY AGREEMENT dated as of January 25, 2016 by OPTICAL CABLE CORPORATION, a Virginia corporation (the "Owner"), in favor of SunTrust Bank, its present and future affiliates and their successors and assigns ("SunTrust") provides:

THIS SECOND AMENDED AND RESTATED SECURITY AGREEMENT HEREBY AMENDS AND RESTATES, IN ALL RESPECTS, (A) THAT CERTAIN SECURITY AGREEMENT (COMMERCIAL) EXECUTED BY OWNER FOR THE BENEFIT OF SUNTRUST AND DATED AS OF APRIL 30, 2010, AND (B) THAT CERTAIN AMENDED AND RESTATED SECURITY AGREEMENT (COMMERCIAL) EXECUTED BY OWNER FOR THE BENEFIT OF SUNTRUST AND DATED AS OF MAY 7, 2015, AS THE SAME MAY HAVE BEEN MODIFIED OR AMENDED FROM TIME TO TIME. NO NOVATION IS INTENDED HEREBY.

In order to induce SunTrust from time to time to enter into agreements with and to extend or continue to extend credit to OPTICAL CABLE CORPORATION, a Virginia corporation (and any one or more and any combination if more than one, the "Borrower), and in consideration of any credit so extended, the Owner (which may include the Borrower) hereby grants, sells, assigns, transfers and conveys (and hereby regrants and reconveys, as appropriate) to SunTrust, a security interest in the Collateral and all proceeds, products, rents and profits thereof and all substitutions and replacements therefore and all revenues from the right to use the Collateral to secure the prompt payment and performance of any and all liabilities, obligations, agreements and undertakings of Borrower to SunTrust (and, in addition, all liabilities, obligations, agreements and undertakings of Owner, or any one or more of them, to SunTrust if Owner and Borrower are not the same person or entity) in any amount, whether now existing or hereafter arising, including those owed by Borrower or Owner to others and acquired by SunTrust through purchase, assignment or otherwise, however created, evidenced or arising, whether individually or jointly with others, and whether absolute or contingent, direct or indirect, as maker, endorser, guarantor, surety or otherwise, liquidated or unliquidated, matured or unmatured, whether or not secured by other collateral, and including, without limitation, (a) all obligations to perform or forbear from performing any acts, (b) all overdrafts on deposits or accounts maintained by Borrower or Owner with SunTrust, (c) all liabilities, obligations, agreements and undertakings of Borrower or Owner to SunTrust pursuant to any interest rate hedge agreement or other derivative transaction agreement or any foreign exchange contract or any application or other agreement requesting SunTrust to issue any letter of credit including, without limitation, the obligation of Borrower or Owner to reimburse SunTrust for all amounts funded by SunTrust pursuant to any such letter of credit and (d) all costs of collection and protection of SunTrust's rights, including reasonable attorneys' fees allowed by law (in the amount of 15% of the principal and interest secured hereby if this agreement is governed by the laws of Georgia), whether such collection or protection occurs prior to, during, or after any bankruptcy proceedings filed by or against any Obligor (as such term is defined below) (all the foregoing being hereinafter collectively referred to as the "Obligations").

Collateral. As used in this Security Agreement, the term "Collateral" shall mean the following, which are checked below, whether now existing or hereafter acquired:

☒ Blanket Security Interest Covering All Assets	All assets of Owner, as more particularly described herein, and including but not limited to, all Accounts, Inventory, furniture and Equipment, goods, deposit accounts, instruments, documents, commercial tort claims, letter of credit rights, investment property, chattel paper and General Intangibles (as all such terms are used herein and in the Uniform Commercial Code); provided, however, that the foregoing collateral shall specifically exclude fixtures.
☐ Accounts and General Intangibles	All of the Owner's Accounts, chattel paper, documents, instruments and money, returned and unearned insurance premiums, tax refunds, contract rights, returned goods, reclaimed and repossessed goods deposit accounts and all General Intangibles (as all such terms are used herein and in the Uniform Commercial Code).

☐	Inventory, Accounts and General Intangibles	All of the Owner's Accounts, deposit accounts, Inventory, general intangibles, instruments, investment property, letter of credit rights, commercial tort claims, documents, and chattel paper, and with respect to all of the foregoing, without limitation, all goods represented thereby, all accessions thereto, and all goods that may be substituted therefore, reclaimed or repossessed from or returned by account debtors and all proceeds, products, rents and profits thereof (as all such terms are used herein and in the Uniform Commercial Code).
☐	Equipment, Furniture and Fixtures	All of the Owner's Equipment, furniture, fixtures, and leasehold improvements, and including but not limited to, all leases, rental agreements, chattel paper, rental payments and insurance proceeds together with all accessories, accessions, attachments, parts, replacements, substitutions, improvements, repairs installed in or affixed thereto (as all such terms are used herein and in the Uniform Commercial Code).

Representations and Warranties. The Owner represents and warrants to SunTrust as follows:

a. This Security Agreement has been duly executed and delivered by Owner, constitutes Owners valid and legally binding obligation and is enforceable in accordance with its terms against Owner. Owner represents and warrants to SunTrust that it has rights in all of the Collateral and/or has the power to transfer rights in all of the Collateral. The execution, delivery and performance of this Security Agreement, the grant of the security interest in the Collateral and the consummation of the transactions contemplated will not, with or without the giving or notice of the lapse of time, (a) violate any material law applicable to Owner, (b) violate any judgment, writ, injunction or order of any court or governmental body or officer applicable to Owner, (c) violate or result in the breach of any material agreement to which Owner is a party or by which any of Owner's property, including the Collateral, is bound or (d) violate any restriction on the transfer of any of the Collateral. The Owner is and will continue to be the absolute owner of the Collateral and there are no other liens or security interests affecting the Collateral other than the security interest granted in this Security Agreement except those previously disclosed to SunTrust in writing by the Owner and those set forth on Schedule A; If the Owner is acting in the capacity of trustee, administrator or executor of an estate, such fact shall be disclosed and satisfactory evidence of capacity and authorization shall be provided to SunTrust;

b. Check and complete the section which applies.

   ☐ The Owner is an individual above the age of majority and has the legal capacity to enter into this Security Agreement and the Owner's principal residence is located in the state of ____________

   ☒ The Owner is a corporation duly organized and existing under the laws of the Commonwealth of Virginia and the Owner's Organizational Identification Number is VA-0242955-3. The Owner is duly qualified and in good standing as a foreign corporation in every jurisdiction where such qualification is necessary; the execution and performance of this Security Agreement have been duly authorized by action of its Board of Directors. no action of its shareholders being necessary; the execution and performance of this Security Agreement will not violate or contravene any provisions of law or regulation or its Articles of incorporation, Shareholder Agreement, By-Laws or other agreements to which it is a party or by which it is bound; and no consent or approval of any governmental agency or authority is required in making or performing the obligations under this Security Agreement;

   ☐ The Owner is a registered partnership, limited liability company or other registered entity organized under the laws of the state of ____________ and the Owner's Organizational Identification Number is ________________. The Owner is duly qualified and in good standing to do business in every jurisdiction where qualification is necessary; the execution and performance of this Security Agreement have been duly authorized by its partners/ members/managers as applicable and no further action of any party is necessary; the execution and performance of this Security Agreement will not violate or contravene any provisions of law or regulation or any partnership agreement, articles of organization, operating agreement or other agreement to which it is a party or by which it is bound; and no consent or approval of any governmental agency or authority is required in making or performing the obligations under this Security Agreement;

   ☐ The Owner is an entity which is not registered; the execution and performance of this Security Agreement have been duly authorized by all necessary party(ies) and no further action of any party is necessary; the execution and performance of this Security Agreement will not violate or contravene any provisions of law or regulation or agreement to which Owner is a party or by which it is bound; and no consent or approval of any governmental agency or authority is required in making or performing the obligations under this Security Agreement; the Owner's place of business (if only one place of business) or chief executive office (if more than one place of business) is located in the state of ______________;

c. Primary Collateral location will be

5290 Concourse Drive, Roanoke, Virginia 24019;
1700 Capital Avenue, Suite 150, Plano, Texas 75074;
3030 Nicholas Avenue NE, Roanoke, Virginia 24012; and/or
33 Superior Way, Swannanoa, North Carolina 28778.

The Owner will maintain the Collateral in the above location(s). The Collateral shall not be moved from the above location(s) without the prior written consent of SunTrust except in the ordinary course of business or in connection with consignment sales;

d. The Owner maintains its books and records at

5290 Concourse Drive, Roanoke, Virginia 24019;
1700 Capital Avenue, Suite 150, Plano, Texas 75074;
3030 Nicholas Avenue NE, Roanoke, Virginia 24012; and/or
33 Superior Way, Swannanoa, North Carolina 28778.

e. All information supplied and statements made to SunTrust in any financial statement are true, correct, complete, valid and genuine in all material respects in conformity with the form required by the loan documents executed in connection herewith;

f. ☐ (Check if applicable) The Owner further represents that the Collateral is being acquired with funds simultaneously advanced to the Borrower by SunTrust, and such funds will be used for no other purpose;

g. No part of the Collateral has been, and never will be so long as this Security Agreement remains a lien on the Collateral, used for the generation, collection, manufacture, storage, treatment, disposal, release or threatened release of any hazardous substance, as those terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C., Section 9601, et seq. ("CERCLA"), Superfund Amendments and Reauthorization Act ("SARA"), applicable state laws, or regulations adopted pursuant to either of the foregoing. The Owner agrees to comply with any federal, state or local law, statute, ordinance or regulation, court or administrative order or decree or private agreement regarding materials which require special handling in collection, storage, treatment or disposal because of their impact on the environment ("Environmental Requirements"). The Owner agrees to indemnify and hold SunTrust harmless against any and all claims, losses and expenses resulting from a breach of this provision of this Security Agreement and the Owner will pay or reimburse SunTrust for all costs and expense for expert opinions or investigations required or requested by SunTrust which, in SunTrust's sole discretion, are necessary to ensure compliance with this provision of this Security Agreement. The obligation to indemnify shall survive the payment of the Obligations and the satisfaction of this Security Agreement; and

h. All Collateral has been produced in compliance with the Fair Labor Standards Act or other applicable wage and employee law, rule, regulation or order, and that no existing or future liability shall occur as a result thereof. The Owner may contest, in good faith, the applicability of any such law, rule, regulation or order, including prosecuting any appeals, so long as SunTrust's interest in the Collateral, in the opinion of SunTrust, is not jeopardized as a result.

Choice of Law. Owner agrees that certain material events and occurrences relating to this Security Agreement bear a reasonable relationship to the laws of the Commonwealth of Virginia. This Security Agreement shall be governed by the laws of such jurisdiction and, unless applicable law provides otherwise, in the event of any legal proceeding arising out of or related to this Security Agreement, Owner and SunTrust consent to the jurisdiction and venue of the courts of the City of Roanoke, Virginia, and to the jurisdiction and venue of the United States District Court for the Western District of Virginia and further waive and agree not to assert that Owner or SunTrust are not personally subject to the jurisdiction of such courts, that proceeding is brought in an inconvenient forum or that venue is improper. Unless otherwise specified, "Uniform Commercial Code" as used herein shall refer to the Uniform Commercial Code of such jurisdiction, both current and as it may be amended or revised from time to time in the future.

Covenants.

a. The Owner shall furnish to SunTrust such financial and business information and reports in form and content satisfactory to SunTrust as and when SunTrust may from time to time require.

b. The Owner, if a corporation, shall maintain its corporate existence, and if another entity shall maintain such entity standing, in each case in good standing and shall not consolidate or merge with or acquire the stock or other ownership interest of any other corporation or entity without the prior written consent of SunTrust; provided, however, that mergers, consolidations and acquisitions having consideration of less than $2,000,000 shall not require the consent of SunTrust; the Owner shall, at the request of SunTrust, qualify as a foreign corporation or other applicable entity and obtain all requisite licenses and permits in each jurisdiction where the Owner does business.

c. The Owner shall notify SunTrust in writing at least 30 days prior to any change of its name or material change to its structure or change in its state of residence, jurisdiction of registration or organization, principal place of business or chief executive office.

d. The following shall apply if the Collateral consists of tangible personal property: The Owner shall maintain all of the Collateral in good condition and repair. SunTrust shall have the right to inspect the Collateral at any reasonable time and shall have the right to obtain such appraisals, reappraisals, appraisal updates or environmental inspections as SunTrust, in its sole discretion, may deem necessary from time to time. Owner will not use or permit any person or entity to use the Collateral (i) in any manner inconsistent with the provisions of this Security Agreement; or (ii) in violation of any policy of insurance issued with respect to the Collateral; or (iii) in violation of any local, state or federal law or regulation, including but not limited to any such law or regulation pertaining to the protection of the environment or the protection of the health or safety of persons or animals, and any such law or regulation pertaining to the control of drugs, narcotics or other controlled substances. If the Collateral has been used or is hereafter used in violation of the covenants and agreements contained herein, Owner shall indemnify SunTrust and hold SunTrust harmless against all claims, actions, causes of action, costs, expenses, fees and penalties in connection with such use. Without the express prior written consent of SunTrust. Owner shall not cause or permit all or any part of the Collateral to be affixed to real property so as to become a fixture as that term is defined or interpreted in the state in which the Collateral is at any time located.

e. Except for items set forth on Schedule A, the Owner will not pledge or grant any security interest in any of the Collateral to any person or entity except SunTrust, or permit any lien or encumbrance to attach to any of the Collateral, or any levy to be made on the Collateral, or any financing statement (except financing statements in favor of SunTrust) to be on file against the Collateral.

f. Upon and during the continuance of an Event of Default, Owner hereby constitutes and appoints any officer or employee of SunTrust as its true and lawful attorney-in-fact (i) to transfer the Collateral into SunTrust's name or the name of its nominee, but SunTrust's failure to do so shall not be interpreted to be a waiver of any interest; and (ii) to do and perform all other acts and things necessary, proper and requisite to carry out the intent of this Security Agreement. The power herein granted shall be deemed to be coupled with an interest and may not be revoked until the Obligations have been paid in full, including all expenses payable by Owner and no amounts may be re-borrowed.

g. The Owner agrees to pay on demand all legal expenses and reasonable attorneys' fees (in the amount of 15% of the principal and interest secured hereby if this agreement is governed by the laws of Georgia), as permitted by applicable law, any appraisal fees and all expenses incurred or paid by SunTrust in protecting and enforcing the rights of SunTrust under this Security Agreement, including SunTrust's right to take possession of the Collateral and its proceeds, and to hold, prepare for sale, sell and dispose of the Collateral.

h. This Security Agreement shall be a continuing agreement and shall remain in full force and effect irrespective of any interruptions in the business relations of the Borrower with SunTrust and shall apply to any ultimate balance which shall remain due by the Borrower to SunTrust; provided, however, that the Owner may by written notice terminate this Security Agreement with respect to all Obligations of the Borrower incurred or contracted by the Borrower or acquired by SunTrust after the date on which such notice is personally delivered to or mailed via registered mail to the SunTrust address set forth below and accepted by SunTrust.

i. The Owner will defend the Collateral against the claims and demands of all parties. The Owner will not, without prior written consent of SunTrust, grant any security interest in the Collateral and will keep it free from any lien, encumbrance or security interest except for items set forth on Schedule A;

Blanket Security Interest. If the Collateral is identified a Blanket Security Interest, Owner acknowledges and agrees that this Security Agreement and any financing statement filed in connection with this Security Agreement is intended to cover and does cover all assets of the Owner, wherever located, whether now owned or subsequently acquired or arising and all proceeds and products thereof and includes, but is not limited to all of the Owner's:

a. Accounts, insurance refund claims and all other insurance claims and proceeds, tax refund claims, license fees, rents, contract rights, instruments, certificates of deposit, documents, tangible chattel paper, electronic chattel paper, promissory notes, drafts, acceptances and other forms of obligations and receivables, whether or not earned by performance;
b. Inventory;
c. Equipment;
d. General Intangibles;
e. Commercial tort claims, letter of credit rights, awards and other payments in respect of any taking and all insurance proceeds in respect of any of the foregoing, and all monies and claims for money due and to become due to Owner under all its Accounts, contract rights, leases and General Intangibles, all investment property and financial assets, all as said terms are defined in the Uniform Commercial Code.

Accounts. If the Collateral includes Accounts, the following shall apply.

a. The Owner warrants that each and every Account, now owned or hereafter acquired, is a bona fide existing obligation, valid and enforceable against the account debtor, for goods sold or leased and delivered or services rendered in the ordinary course of business; it is subject to no dispute, defense or offset greater than $200,000 other than those disclosed to SunTrust; the Owner has good title to the Account and has full right and power to grant SunTrust a security interest in the Accounts and the Owner will immediately notify SunTrust of any Account to which these warranties are or become untrue; the Owner agrees that it will not permit any return of merchandise, the sale of which gave rise to any of the Accounts, except in the usual and regular course of business;
b. The Owner shall maintain complete and accurate books and records, and its principal books and records, including all records concerning Accounts, shall be kept and maintained at the place(s) specified above. The Owner shall not move such books and records without giving SunTrust at least 30 days prior written notice. All accounting records and financial reports furnished to SunTrust shall be provided in the form required by the loan documents executed in connection herewith. It is specifically agreed that SunTrust shall have and the Owner hereby grants to SunTrust a security interest in all books and records of the Owner and shall have access to them at any time for inspection, verification, examination and audit;
c. The Owner will prepare and deliver to SunTrust, at SunTrust's request from time to time, a listing and aging of all Accounts and any further schedules or information with respect to Accounts that SunTrust may require;
d. SunTrust shall have the right at any time during the continuance of an Event of Default, to notify account debtors of its security interest in the Accounts and supporting obligations and require payments to be made directly to SunTrust, During the continuance of an Event of Default, the Owner hereby appoints SunTrust and any officer or employee of SunTrust, as SunTrust may from time to time designate, as its attorneys-in-fact for the Owner, to sign and endorse in the name of the Owner, to give notice in the name of the Owner, and to perform all other actions necessary or desirable in the reasonable discretion of SunTrust to effect these provisions and carry out the intent hereof, all at the cost and expense of the Owner. The Owner hereby ratifies and approves all acts of such attorneys-in-fact and neither SunTrust nor any other such attorneys-in-fact will be liable for any acts of commission or omission nor for any error of judgment. This power being coupled with an interest is irrevocable so long as any Account or General Intangible pledged to SunTrust remains unpaid and the Borrower has any unpaid Obligations to SunTrust. The costs of such collection and enforcement, including reasonable attorneys' fees and out-of-pocket expenses, shall be borne solely by the Owner whether the same are incurred by SunTrust or the Owner;
e. During the continuance of an Event of Default, at the option of SunTrust, all payments on the Accounts received by the Owner shall be remitted to SunTrust in their original form on the day of receipt; all notes, checks, drafts and other instruments so received shall be duly endorsed to the order of SunTrust. During the continuance of an Event of Default, at SunTrust's election, the payments shall be deposited into a special deposit account ("Special Account") maintained with SunTrust. SunTrust may designate with each such deposit the particular Account upon which payment was made. The Special Account shall be held by SunTrust as additional security for the Obligations. Prior to depositing payments on the Accounts into the Special Account, the Owner agrees that it will not commingle such payments with any of the Owner's funds or property, but will hold them separate and apart and in trust for SunTrust. SunTrust will have the power to withdraw funds from the Special Account. SunTrust may at any time and from time to time, in its sole discretion, apply any part of the funds in the Special Account to the Obligations whether or not the same is due. Upon full and final satisfaction of the Obligations (including without limitation all fees and expenses owing to SunTrust or its attorneys), plus termination of any commitment to extend additional funds, SunTrust will pay to the Owner any excess funds, whether received by SunTrust as a deposit in the Special Account or as a direct payment on any of the Accounts;

f. If any of the Owner's Accounts arise out of contracts with the United States or any department, agency, or instrumentality thereof, upon request of SunTrust, Owner will execute any instruments and take any steps required by SunTrust in order that all moneys due and to become due under such contracts shall be assigned to SunTrust and in order that proper notice be given under the Federal Assignment of Claims Act;
g. SunTrust shall not be liable and shall suffer no loss on account of loss or depreciation of any Account due to acts or omissions of SunTrust unless SunTrust's conduct is willful and malicious, and SunTrust shall have no duty to take any action to preserve the Collateral or collect Accounts:
h. Upon request by SunTrust, the Owner will note on its records concerning the Accounts, a notation of the security interest under this Security Agreement, which notation must be satisfactory to SunTrust in both form and content;
i. During the continuance of an Event of Default, SunTrust may enforce collection of any Account and supporting obligation by suit or otherwise and may surrender, release or exchange all or any part thereof, or compromise, extend or renew the same for any period. All monies so received by SunTrust may in SunTrust's sole discretion, be either (i) applied by SunTrust directly toward payment of all or any part of the Obligations, whether or not then due, in such order of application as SunTrust may determine; or (ii) deposited to the credit of Borrower or in an account with SunTrust as security for payment of the Obligations and SunTrust may, from time to time, in its sole discretion, permit Borrower to use all or any part of the funds on deposit in said account in the normal course of business. Owner will promptly reimburse SunTrust for all expenses, including reasonable attorneys' fees and legal expenses, incurred by SunTrust in seeking to collect on or enforce collection of such amounts; and
j. During the continuance of an Event of Default, Owner will forthwith, upon receipt, transmit and deliver to SunTrust, in the form received, all cash, checks, drafts, items, chattel paper and other instruments or writing for the payment of money (properly endorsed, where required, so that such items may be collected by SunTrust) which may be received by Owner at any time in full or partial payment or otherwise as proceeds of any of the Accounts. After such notice from SunTrust, Owner will not commingle any such proceeds with any other of its funds or property, but will hold them separate and apart from Owner's own funds or property and in express trust for SunTrust until delivery is made to SunTrust, and
k. During the continuance of an Event of Default, to protect SunTrust's rights hereunder, Owner hereby constitutes any officer or employee of SunTrust its true and lawful attorney-in-fact with full power of substitution to endorse or sign the name of Owner upon any invoice, freight or express bill, or bill of lading relating to any Account covered hereby and to notify the post office authorities to change the address for delivery of Owner's mail relating to the Accounts to an address designated by SunTrust and to receive, open, and dispose of all mail relating to the Accounts addressed to Owner and to do and perform all other acts and things necessary, proper and requisite to carry out the intent of this Security Agreement, This power shall be deemed to be coupled with an interest and may not be revoked by Owner until the Obligations have been paid in full.

Inventory. If the Collateral includes Inventory, the following shall apply:

a. The Owner agrees to maintain books and records pertaining to the Inventory in such detail, form and scope as SunTrust shall require. The Owner shall promptly advise SunTrust of any substantial changes relating to the type, or quantity of the Inventory or any event which would have a material effect on the value of the Inventory or on the security interest granted to SunTrust.
b. If the Inventory remains in the possession or control of any of the Owner's agents or processors, the Owner shall notify such agents or processors of SunTrust's security interest, and, during the continuance of an Event of Default, shall instruct them to hold such Inventory for SunTrust's account and subject to SunTrust's instruction.
c. The Owner will prepare and deliver to SunTrust, at SunTrust's request from time to time, a listing of all Inventory and such information regarding the Inventory as SunTrust may require.
d. During the continuance of an Event of Default, SunTrust may require the Owner to assemble the Inventory and make it available to SunTrust at a place to be designated by SunTrust which is reasonably convenient. During the continuance of an Event of Default. SunTrust may take possession of the Inventory without a court order.

e. Except during the continuance of an Event of Default hereunder, Owner may, unless otherwise provided in this Security Agreement, in the ordinary course of business, at its own expense, sell, lease or furnish under contract of service any of the Inventory normally held by Owner for such purpose.

Insurance, Taxes and Assessments. The Owner shall at all times keep insurable Collateral insured against any and all risks, including, without limitation, fire, and such other insurance, including but not limited to flood insurance, as may be required by SunTrust from time to time, and in such amounts as may be satisfactory to SunTrust. Insurance may be purchased from an insurer of the Owner's choice, except as otherwise required by law. All such insurance policies are to be made payable to SunTrust, in the event of loss, under a standard non-contributory 'mortgagees", "lenders", or "secured party" clause and shall contain a breach of warranty provision acceptable to SunTrust which shall establish SunTrust's right to be paid the insurance proceeds irrespective of any action, inaction, breach of warranty or conditions, or negligence of Owner or any other person or entity with respect to such policies. All such insurance policies shall provide for a minimum of thirty days written notice to SunTrust prior to cancellation. During the continuance of an Event of Default, Owner appoints SunTrust attorney-in-fact to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable to Owner hereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments, or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies, which power of attorney shall be deemed coupled with an interest and irrevocable so long as SunTrust has a security interest in any of the Collateral. Owner shall provide proof of such insurance as requested by SunTrust. The Owner shall pay and discharge all taxes; assessments and charges of every kind prior to the date when such taxes; assessments or charges shall become delinquent and provide proof of such payments to SunTrust, upon request. However, nothing contained in this Security Agreement shall require the Owner to pay any such taxes, assessments and charges so long as it shall contest its validity in good faith and shall post any bond or security required by SunTrust against the payment. Upon the failure of the Owner to purchase required insurance or to pay such required amounts, SunTrust, at its option, and at the Owner's expense, may obtain such insurance or pay such taxes, assessments, and charges. In addition, SunTrust may from time to time, in its sole discretion, perform any undertakings of the Owner which the Owner shall fail to perform and take any other action which SunTrust deems necessary for the maintenance or preservation of any of the Collateral. Any amounts so paid shall be included in the Obligations secured by the Collateral. At SunTrust's request, the Owner agrees to promptly reimburse SunTrust on demand for all such expenses incurred by SunTrust, together with interest thereon from the date paid by SunTrust at the highest rate payable on the Obligations. Any insurance obtained by SunTrust, at its option, may be single or dual interest, protecting its rights, rights of the Owner or joint rights. Any insurance obtained by SunTrust may provide, at its option, that such insurance will pay the lesser of the unpaid balance of the Obligations or the repair or replacement value of the Collateral. SunTrust may use the proceeds of any insurance obtained by Owner or by SunTrust to repair or replace the Collateral or, if SunTrust elects to do so, to repay part or all of the Obligations, whether or not then due, and in such order as SunTrust may determine, and the Borrower will still be responsible to repay any remaining unpaid balance of the Obligations. The whole or partial loss or destruction of all or any part of the Collateral shall not affect or impair the obligation of any person or entity liable under the Obligations.

Deposit Accounts. If the Collateral includes deposit accounts, the Collateral shall include all demand, time, savings, passbook and other deposit accounts of the Owner with all banks, credit unions, savings and loan associations and other financial institutions which are now owned or hereafter acquired by the Owner or in which the Owner now has or hereafter acquires any right, title or interest, together with all proceeds of the deposit accounts.

Additional Covenants and Agreements if Borrower is Different than Owner. If Borrower is different than Owner, then so long as any of the Obligations remain outstanding or so long as this Security Agreement shall remain in effect Owner covenants and agrees as follows: (a) Owner hereby expressly consents to and adopts any agreements which Borrower has entered into or will enter into with SunTrust regarding any of the Obligations or the Collateral; (b) Owner hereby agrees that the Collateral shall be subject to disposition in accordance with the terms and conditions of this Security Agreement and any agreements executed by Borrower in connection with any of the Obligations or the Collateral, (c) Owner will not be subrogated to SunTrust's rights to any other collateral and any proceeds thereof in which SunTrust holds a security interest to secure payment of any of the Obligations; (d) Owner agrees that SunTrust may at any time and from time to time, without notice to, or the consent of, Owner: (i) retain any of the Collateral in satisfaction of any of the Obligations to the extent permitted by applicable law, (ii) retain or obtain a security interest or lien in any property in addition to the Collateral to secure payment or performance of any of the Obligations, (iii) allow or cause any Obligations to be incurred, (iv) retain or obtain persons or entities that are primarily or secondarily obligated upon any of the Obligations other than the Borrower, (v) extend or renew any of the Obligations for any period (whether or not longer than the original term), (vi) release, compromise or modify any of the Obligations, (vii) release, in whole or in part, any person or entity primarily or secondarily obligated upon any of the Obligations or enter into any compromise with respect to the obligation of any such person or entity relative to any of the Obligations, (viii) release with or without consideration, SunTrust's security interest or lien in any property other than the Collateral which may at any time secure payment or performance of any of the Obligations, (ix) accept substitutions or exchanges for any property other than the Collateral which may at any time secure payment or performance of any of the Obligations, (x) exercise its rights as a secured party and dispose of the Collateral without having first resorted to any property securing any of the Obligations other than the Collateral and without having first proceeded against or demanded payment from any person or entity primarily or secondarily obligated upon any of the Obligations; and (e) Owner specifically waives any and all rights pursuant to O.C.G.A. Sec. 10-7-24 or T.C.A. Sec. 47-12-101 et seq. if this Security Agreement is governed by the laws of Georgia or Tennessee and the same or similar provision contained in the Uniform Commercial Code of any other state or states which may govern this Security Agreement.

Events of Default. As used herein the term "Obligor" shall individually, collectively, jointly and severally refer to Borrower, Owner and any other person or entity that is primarily or secondarily liable upon all or any part of the Obligations secured hereby and any person or entity that has conveyed or may hereafter convey any security interest or lien to SunTrust in any real or personal property to secure payment of all or any part of the Obligations. Unless prohibited by applicable law, an "Event of Default" shall occur hereunder upon the occurrence of any one or more of the following events or conditions:

a. the failure by any Obligor to pay when due, whether by acceleration or otherwise, any sum constituting all or any part of the Obligations;
b. the failure of any Obligor to perform any covenant, promise or obligation contained in this Security Agreement, any document evidencing any of the Obligations, or any other agreement to which any Obligor and SunTrust are parties, any of which continues for 30 days after Borrower has received written notice thereof;
c. the breach of any of Obligor's representations or warranties in this Security Agreement or any other agreement with SunTrust which breach continues for 30 days after Borrower has received written notice thereof;
d. the failure of any Obligor to pay when due any amount owed to any creditor other than SunTrust under a written agreement calling for the payment of money except for amounts disputed by Obligor in good faith, which failure continues for 30 days after Borrower has received written notice thereof from such creditor; provided that, for any such dispute involving an amount greater than $200,000, Borrower shall provide SunTrust with a copy of such notice and the failure to do so shalt constitute a default hereunder;
e. the death, declaration of incompetency, dissolution, liquidation, termination or suspension of usual business of any Obligor or merger or consolidation having an aggregate consideration of more than $2,000,000;
f. intentionally deleted;
g. the insolvency or inability to pay debts as they mature of any Obligor, the filing of any petition or the commencement of any proceeding by an Obligor for relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization, or composition or extension of debt;
h. the entry of a judgment or the issuance or service of any attachment; levy or garnishment against any Obligor or the property of any Obligor or the repossession or seizure of property of any Obligor that is greater than $200,000;
i. any deterioration or impairment of the tangible Collateral or Accounts or any decline or depreciation in the value of the tangible Collateral or Accounts which causes a material reduction in the value of tangible Collateral or Accounts in the judgment of SunTrust;
j. a determination by SunTrust that a material adverse change in the financial condition of Borrower has occurred since the date of this Security Agreement that, in the sole determination of SunTrust, would likely result in Borrower's failure to satisfy a financial covenant set forth in the Agreement;
k. any Obligor commits fraud or makes a material misrepresentation at any time in connection with this Security Agreement, the Obligations or the Collateral;
l. except in the ordinary course of business or in connection with consignment sales, the Collateral or any part thereof is located for more than thirty consecutive days outside the state or states in which the Collateral is to be located pursuant to this Security Agreement or if the Collateral or any part hereof is removed from such state with the intent that it will be located outside such state for more than thirty days;

m. should the state of organization or registration of Owner (if an entity) change; or
n. any other act or circumstances leading SunTrust to deem itself insecure.

Remedies Upon Default; Acceleration of Obligations. Unless prohibited by applicable law, the Obligations secured hereby shall automatically and simultaneously mature and become due and payable, without notice or demand, upon the filing of any petition or the commencement of any proceeding by or against an Obligor for relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization, or composition or extension of debt: Unless prohibited by applicable law, upon the occurrence of any one or more of the other Events of Default described above, the Obligations secured hereby shall, at the option of SunTrust, immediately mature and become due and payable, without notice or demand. If all or any part of the Obligations secured hereby are not paid as and when due and payable, whether by acceleration or otherwise, which failure continues for 5 days after Borrower has received written notice thereof, then SunTrust may, at its option, without notice or demand of any kind: (a) transfer all or any part of the Collateral into the name of SunTrust or its nominee, at Owner's expense, with or without disclosing that such Collateral is subject to SunTrust's security interest; (b) enter upon premises upon which the Collateral is located and, to the extent permitted by law without legal process, take exclusive possession of the Collateral, and redeem the Collateral, or any part thereof (irrespective of redemption penalty); (c) appropriate and apply toward payment of such of the Obligations, and in such order of application, as SunTrust may from time to time elect, all or any part of any balances, credits, items or monies in any bank deposit or deposit account constituting a part of the Collateral; (d) sell the Collateral at public or private sale, either in whole or in part, and SunTrust may purchase the Collateral at any such public sale and at any private sale as permitted by law. Such sale shall result in the sale, conveyance and disposition of all right, title and interest of Owner in all or any part of the Collateral which is the subject of such a disposition and SunTrust is authorized as attorney-in-fact for Owner to sign and execute any transfer, conveyance or instrument in writing that may be necessary or desirable to effectuate any such disposition of the Collateral, which power shall be coupled with an interest; and (e) exercise all other rights of a secured party under the Uniform Commercial Code and all other rights under law or pursuant to this Security Agreement, all of which shall be cumulative. If any notification of intended disposition of any Collateral is required by law, reasonable notification shall be deemed given if written notice is deposited in the U.S. Mail, first class or certified postage prepaid, addressed to Owner and such other persons or entities as SunTrust deems to be appropriate, stating all items required by applicable statutes, including the time and place of any public sale or the time after which any private sale or disposition is to be made, at least ten (10) days prior thereto. The proceeds of any disposition of the Collateral shall be applied in the following order (i) First, to pay all costs and expenses associated with the retaking, holding, preparation and disposition of the Collateral; (ii) Then to pay attorneys' fees; (iii) Next, to pay all accrued but unpaid interest upon the Obligations in such order as SunTrust may determine in its discretion; and (iv) Finally, to all unpaid principal outstanding upon the Obligations, whether or not due and payable, in such order as SunTrust may determine in its discretion. Any remaining surplus shall be paid to Owner or otherwise in accordance with law. If the proceeds of such disposition are insufficient to pay the Obligations in full, Borrower and all other persons or entities liable thereon shall remain fully obligated to SunTrust for the unpaid balance thereof.

Execution by More than One Party. To the extent permitted by applicable law, the term "Owner" as used in this Security Agreement shall, if this instrument is signed by more than one party, means the "Owner and each of them" and each shall be jointly and severally obligated and liable. If any party is a partnership or limited liability company, the agreements and obligations on the part of the Owner shall remain in force and applicable regardless of any changes in the parties composing the partnership or limited liability company and the term "Owner" shall include any altered or successive partnership or limited liability company and the predecessor partnership or limited liability company and its partners or members/managers shall not be released from any obligation or liability.

Waivers by the Owner. The Owner hereby waives (a) notice of acceptance of this Agreement and of any extensions or renewals of credit by SunTrust to the Borrower; (b) presentment and demand for payment of the Obligations; (c) protest and notice of dishonor or default to the Owner or to any other party with respect to the Obligations; (d) all other notices to which the Owner might otherwise be entitled; and (e) if for business purposes, the benefit of any homestead exemption. To the extent permitted by applicable law, the Owner further waives any right to require that any action be brought against the Borrower or any other party, the right to require that resort be had to any security or to any balance of any deposit account or credit on the books of SunTrust in favor of the Borrower or any other party, the right to redeem the Collateral and to object to SunTrust's proposal to retain the Collateral in satisfaction of any of Obligations and any right to obtain injunctive or other relief relative to SunTrust's sale or other disposition of the Collateral and to recover losses caused by SunTrust's failure to approve or correct any list of Collateral provided to SunTrust for any purpose by any person or entity. Owner waives all rights, claims and defenses based on principles of suretyship.

No Obligation to Extend Credit. This Security Agreement shall not be construed to impose any obligation on SunTrust to extend or continue to extend any credit at any time.

Indemnity. The Owner agrees to indemnify and hold harmless SunTrust; its subsidiaries, affiliates, successors, and assigns and their respective agents, directors, employees, and officers from and against any and all complaints, claims, defenses, demands, actions, bills, causes of action (including, without limitation, costs and reasonable attorneys' fees), and losses of every nature and kind whatsoever, which may be raised or sustained by any directors, officers, employees, shareholders,¯ creditors, regulators, successors in interest, or receivers of the Borrower or any third party as a result of or arising out of, directly or indirectly, SunTrust extending credit as evidenced by the Obligations to the Borrower, and taking the Collateral as security for the Obligations, and the Owner agrees to be liable for any and all judgments which may be recovered in any such action, claim, proceeding, suit, or bill, including any compromise or settlement thereof, and defray any and all expenses, including, without limitation, costs and reasonable attorneys' fees, that may be incurred in or by reason of such actions, claims, proceedings, suits, or bills. This obligation to indemnify shall survive the payment of the Obligations and the satisfaction of this Security Agreement.

Financing Statements and Additional Documentation. SunTrust is authorized to file such financing statements and amendments as SunTrust deems necessary to perfect, continue or assure its security interest in the Collateral and the Owner hereby ratifies any financing statement filed previously by SunTrust. The Owner will deliver such instruments of future assignment or assurance, and such other agreements, as SunTrust may from time to time request to carry out the intent of this Security Agreement, and will join with SunTrust in executing any documents in form satisfactory to SunTrust, and hereby authorizes SunTrust to sign for Owner, or to file without signature, any financing statements, amendments and other documents and instruments from time to time as SunTrust may deem advisable, and pay any cost of filing the same, including all recordation, transfer, indebtedness and other taxes and fees, deemed advisable by SunTrust.

Successor in Interest: SunTrust as Collateral Agent. This Security Agreement shall be binding upon the Owner, its successors and assigns, and the benefits hereof shall inure to SunTrust, its successors and assigns. Notwithstanding the foregoing, Owner shall not assign Owner's rights or obligations under this Security Agreement without SunTrust's prior written consent. SunTrust Bank shall serve as collateral agent on behalf of itself and present and future affiliates.

Miscellaneous. (a) Each and every power given herein is coupled with an interest and is irrevocable by death or otherwise. (b) The captions of the paragraphs of this Security Agreement are for convenience only and shall not be deemed to constitute a part hereof or used in construing the intent of the parties. (c) If any part of any provision of this Security Agreement shall be invalid or unenforceable under applicable law, such part shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Security Agreement. (d) This Security Agreement shall not be modified or amended except in a writing signed by Owner and SunTrust. (e) All representations, warranties, covenants and agreements contained herein or made in writing by Owner in connection herewith shall survive the execution and delivery of this Security Agreement and any and all notes, other agreements, documents and writings relating to or arising out of any of the foregoing or any of the Obligations. (f) All rights and remedies of SunTrust expressed herein are in addition to all other rights and remedies possessed by SunTrust under applicable law or other agreements, including rights and remedies under any other agreement or instrument relating to any of the Obligations or any security therefor. (g) No waiver by SunTrust of any of its rights or remedies or of any default shall operate as a waiver of any other right or remedy or of any other default or of the same right or remedy or of the same default on a future occasion. No delay or omission on the part of SunTrust in exercising any right or remedy shall operate as a waiver thereof, and no single or partial exercise by SunTrust of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. No action of SunTrust permitted hereunder or under any agreement or instrument relating to any of the Obligations or any security therefor shall impair or affect the rights of SunTrust in and to the Collateral. (h) All terms as defined herein shall include both the plural and singular, where applicable. (i) All notices or communications given to Owner or SunTrust pursuant to the terms of this Security Agreement shall be in writing and given to Owner and SunTrust at the address set forth below. Unless otherwise specifically provided herein to the contrary, such written notices and communications shall be delivered by hand or overnight courier service, or mailed by first class mail, postage prepaid, addressed to the parties hereto at the addresses referred to herein or to such other addresses as either party may designate to the other party by a written notice given in accordance with the provisions of this Security Agreement. Any written notice delivered by hand or by overnight courier service shall be deemed given or received upon receipt. Any written notice delivered by U.S. Mail shall be deemed given or received on the third (3rd) business day after being deposited in the U.S. Mail. (j) SunTrust shall not be responsible or liable for its failure to give notice to Owner of any default in the payment of any amounts that might become due and owing with respect to the Collateral nor shall SunTrust be responsible or liable for SunTrust's failure to collect any amounts payable with respect to the Collateral. (k) SunTrust shall be under no obligation to monitor the market value of any Collateral, to advise the Owner of such market value, or to take any action whatsoever to preserve the value of any Collateral by selling, exchanging or otherwise disposing of such Collateral in order to avoid any loss to the Owner resulting from a decline in the market value of such Collateral. (l) SunTrust shall be under no obligation to pay any amounts owing with respect to any Collateral. (m) This Agreement is in addition to and not in replacement of any other agreement between Owner and SunTrust. (n) The term Owner shall include all persons signing below as Owner and the obligation of such Owners hereunder shall be their joint and several obligations.

WAIVER OF JURY TRIAL. OWNER AND SUNTRUST HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT AND ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS SECURITY AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR SUNTRUST ENTERING INTO OR ACCEPTING THIS SECURITY AGREEMENT. FURTHER, OWNER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF SUNTRUST, NOR SUNTRUST'S COUNSEL, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUNTRUST WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

[SIGNATURE PAGES FOLLOW]

SIGNATURE PAGE TO
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

The undersigned have executed this Security Agreement as of the date first written above.

OWNER:

OPTICAL CABLE CORPORATION, a Virginia corporation

By: /s/ Tracy G. Smith (SEAL)
Name: Tracy G. Smith
Title: Senior Vice President and Chief Financial Officer

Addresses

Owner Address for Purpose of Notice	5290 Concourse Drive Roanoke, Virginia 24019
SunTrust Address for Purpose of Notice	10 Franklin Road Richmond, Virginia 24011

SCHEDULE A TO
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

(a) Liens arising in connection with any court proceedings in the aggregate amount of no more than $200,000 at any one time; (b) carriers' warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of $200,000 at any time, so long as such liens attach only to Inventory; (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which Owner is a party as lessee made in the ordinary course of business; (d) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which Owner is a party; (e) purchase money liens incurred in the ordinary course of business for purchase of equipment, and (f) liens and security interests in favor of BNC Bankcorp, IOS Capital and IKON Financial Services (together with any renewals, replacements or extensions thereof) and liens and security interests in connection with leases including, without limitation, leasing of equipment and capital leases.

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annual report

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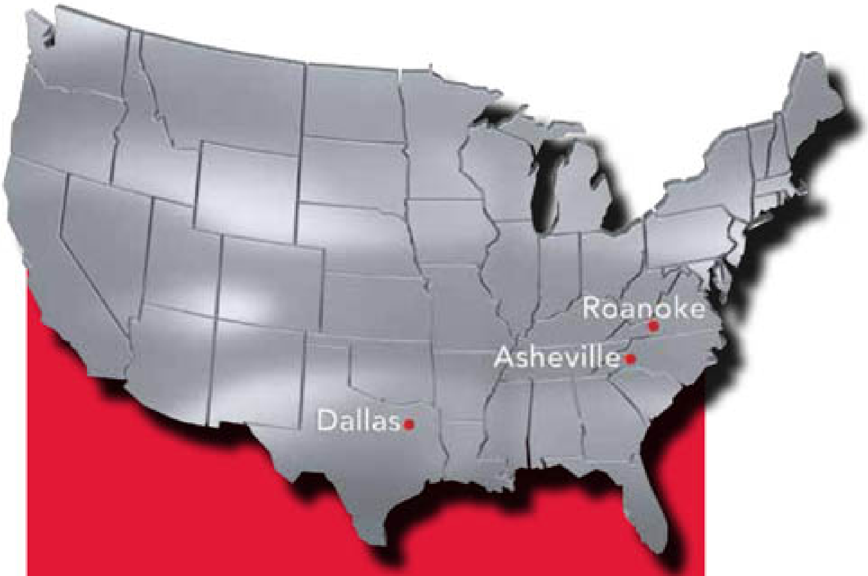

ROANOKE, VA
Corporate Headquarters and Fiber Optic Cable Manufacturing Facility
ISO 9001:2008 registered
MIL-STD-790F certified

ASHEVILLE, NC
Enterprise Connectivity Manufacturing Facility
ISO 9001:2008 registered

DALLAS, TX
Military & Harsh Environment Connectivity Manufacturing Facility
ISO 9001:2008 registered
MIL-STD-790F certified

OPTICAL CABLE CORPORATION

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Selected Consolidated Financial Information
(in thousands, except per share data)

	Years ended October 31,				
	2015 (1)	2014	2013	2012	2011
Consolidated Statement of Operations Information:					
Net sales	$ 73,569	$ 82,978	$ 75,266	$ 83,523	$ 73,339
Cost of goods sold	51,773	54,506	49,354	51,970	47,048
Gross profit	21,796	28,472	25,912	31,553	26,291
Selling, general and administrative expenses	24,043	26,989	24,996	27,300	25,169
Royalty (income) expense, net	124	110	79	(299)	(783)
Amortization of intangible assets	11	41	70	134	431
Income (loss) from operations	(2,382)	1,332	767	4,418	1,474
Other expense, net:					
Interest expense, net	(440)	(414)	(467)	(550)	(620)
Other, net	7	(28)	(25)	16	1
Income (loss) before income taxes	(2,815)	890	275	3,884	855
Income tax expense	1,482	267	348	1,258	398
Net income (loss)	$ (4,297)	$ 623	$ (73)	$ 2,626	$ 457
Net loss attributable to noncontrolling interest	(42)	(61)	(30)	(123)	(209)
Net income (loss) attributable to OCC	$ (4,255)	$ 684	$ (43)	$ 2,749	$ 666
Net income (loss) per share attributable to OCC	$ (0.69)	$ 0.10	$ (0.01)	$ 0.43	$ 0.11
Weighted average shares:					
Basic and diluted	6,201	6,764	5,785	6,456	6,305
Consolidated Balance Sheet Information:					
Cash	$ 1,083	$ 1,090	$ 750	$ 591	$ 1,092
Working capital	23,504	26,075	26,986	26,838	23,326
Total assets	45,029	50,039	45,415	47,762	44,945
Bank debt	13,227	9,997	10,256	9,003	8,191
Total shareholders' equity attributable to OCC	26,631	31,007	30,199	30,644	28,209

(1) Fiscal year 2015 includes a $2.4 million non-cash charge related to the establishment of an allowance against OCC's net deferred tax assets. The deferred tax asset valuation allowance in fiscal year 2015 increased income tax expense, increased net loss, increased net loss attributable to OCC, reduced total assets attributable to OCC and reduced total shareholders' equity attributable to OCC, in each case by $2.4 million. The deferred tax asset valuation allowance also increased the net loss per share attributable to OCC by $0.39 per share in fiscal year 2015. See "Income Tax Expense" in the Management Discussion and Analysis section of this annual report and Note 12 to the Consolidated Financial Statements.

Letter from the CEO

Dear Shareholders of Optical Cable Corporation:

Navigating Through a Difficult Environment.

Optical Cable Corporation (OCC®) demonstrated strong operational and financial performance in the enterprise market in fiscal year 2015: our consolidated net sales in this market increased by more than 9% to $38.0 million[1], as we continued to execute on key initiatives that we believe will support future growth. Our development of new and updated product families for the enterprise market over the last two years—particularly our enterprise connectivity products—contributed to our increase in sales in this market.

Despite our strength in the enterprise market, our financial results were impacted by weakness in certain harsh environment and specialty markets, including the mining, oil & gas, and military markets, as well as by volatility in the wireless carrier market. The strong U.S. dollar also impacted our sales outside of the U.S.

Unusually slow sales activity in the United States toward the end of calendar year 2015 was suprising, and impacted OCC's fourth quarter. While weakness in the U.S. will impact OCC's sales in our first quarter of fiscal 2016, we are optimistic about the remainder of the year.

Importantly, the OCC team is nimble and able to adjust to market challenges, and we will continue to take the actions necessary to ensure OCC's success. We are confident that we have built a solid foundation that will support continued growth and shareholder value creation in 2016 and beyond.

Financial Overview and Key Financial Performance Metrics.

OCC's key financial performance metrics for fiscal year 2015 included:

- Consolidated net sales of $73.6 million, a decrease of $9.4 million or 11.3% compared to net sales of $83.0 million for fiscal year 2014. A single customer in the wireless carrier market accounted for $6.0 million of the total decrease, as certain wireless carriers slowed their purchases—particularly toward the end of the year.

- Gross profit of $21.8 million, compared to $28.5 million for fiscal year 2014. Gross profit was impacted by lower net sales in certain specialty markets that tend to have higher gross profit margins—including the military, oil & gas, and mining markets. The wireless carrier market also impacted OCC's gross profit, due to pricing pressures and higher volumes of lower margin hybrid cables.

- OCC reduced selling, general and administrative expenses during fiscal year 2015 by 10.9% compared to fiscal year 2014.

- Net loss attributable to OCC (including the non-cash valuation allowance against net deferred tax assets) was $4.3 million, or $0.69 per share, compared to net income attributable to OCC of $684,000, or $0.10 per share, during fiscal year 2014. A non-cash charge of $2.4 million, or $0.39 per share, in connection with a valuation allowance offsetting OCC's net deferred tax assets, significantly impacted OCC's net loss for the fiscal year (see *Income Tax Expense* in our *Management's Discussion and Analysis* in this annual report).

- OCC generated annual positive cash flow from operating activities again this year. Net cash provided by operating activities was $1.2 million in fiscal year 2015.

- OCC returned nearly a million dollars to shareholders by declaring dividends and repurchasing and retiring common shares of OCC during the year.

  - OCC declared quarterly cash dividends totaling $0.08 per share during fiscal year 2015, or $560,000, continuing the return of capital to shareholders initiated when our first quarterly dividend was declared in October 2010.

  - OCC repurchased and retired 80,636 shares of common stock during fiscal year 2015, returning $380,000 to shareholders.

Ability to Adjust. Actions Taken.

The OCC team has a demonstrated ability to adjust course in challenging operating environments in order to position the Company for future success. The OCC team has taken and is taking the following steps:

- Sales and marketing initiatives are underway both to drive increased sales in markets with the greatest growth opportunities and to maintain sales in weaker markets.

- Cost reductions were implemented near the end of fiscal year 2015 and during the first quarter of 2016, including workforce reductions expected to save approximately $1.0 million annually beginning in fiscal year 2016 and other cost reductions expected to save approximately $575,000 later in fiscal year 2016.

- Modifications to the capital allocation program have been made to enhance OCC's financial profile, including the suspension of quarterly dividends beginning January 2016, and the suspension of purchases and retirement of OCC shares under our share repurchase plan. We believe these suspensions are temporary. The Board of Directors will regularly evaluate our dividend policy and share repurchase plan to determine the appropriate time to resume the programs. Our existing share repurchase plan, adopted on July 14, 2015, allows for the purchase of up to 400,000 of our common shares. We continue to believe the purchases will be made over a 24- to 36-month period.

These proactive steps were taken after careful and thorough consideration, and will position OCC for future opportunities.

We are committed to enhancing shareholder value, and the OCC team continues to look for additional opportunities to increase sales, realize manufacturing efficiencies, and reduce costs.

Looking Forward to Fiscal Year 2016.

The global macroeconomic environment remains challenging as we enter 2016. The slowing Chinese economy, crude oil prices at 12-year lows, weakness in the stock markets, and downsizing at a number of leading manufacturing companies are headline news.

OCC continues to have a strong market position despite the macroeconomic and market headwinds, and we are confident that OCC is well-positioned for continued growth and success.

We have created a broad and growing suite of top-tier integrated connectivity and cabling solutions through product line expansions and innovative product designs. We are confident that these products and solutions, coupled with our investments in manufacturing, will continue to result in new opportunities for value creation at OCC.

We are also fortunate to have a strong team and a committed base of employees. On behalf of the Board and leadership team, we thank them for their hard work, dedication, and service, which enables OCC to maintain safe and productive operations.

Importantly, OCC's leadership team remains committed to executing our strategy to create substantial long-term value for shareholders. Current employees and members of the Board of Directors own more than 36% of the outstanding shares of OCC as of October 31, 2015—squarely aligning the team's interests with those of our shareholders.

All of us at OCC are working hard to ensure OCC's success, and we are confident that we have the right team and the right plan in place to meet the needs of our customers and create value for all OCC shareholders.

Thank you for your investment in OCC and the privilege of allowing us to lead your company.

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.
Chairman of the Board,
President and Chief Executive Officer
January 25, 2016

[1] Enterprise market as used by OCC excludes harsh environment and various other specialty markets, and usually represents approximately half of OCC's total sales. Figure excludes Centric Solutions, LLC.

Forward-Looking Information

This report may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning our outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to known and unknown variables, uncertainties, contingencies and risks that may cause actual events or results to differ materially from our expectations. Such known and unknown variables, uncertainties, contingencies and risks (collectively, “factors”) may also adversely affect Optical Cable Corporation and its subsidiaries (collectively, the “Company” or “OCC®”), the Company’s future results of operations and future financial condition, and/or the future equity value of the Company. Factors that could cause or contribute to such differences from our expectations or that could adversely affect the Company include, but are not limited to: the level of sales to key customers, including distributors; timing of certain projects and purchases by key customers; the economic conditions affecting network service providers; corporate and/or government spending on information technology; actions by competitors; fluctuations in the price of raw materials (including optical fiber, copper, gold and other precious metals, and plastics and other materials); fluctuations in transportation costs; our dependence on customized equipment for the manufacture of certain of our products in certain production facilities; our ability to protect our proprietary manufacturing technology; market conditions influencing prices or pricing in one or more of the markets in which we participate; our dependence on a limited number of suppliers; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in litigation, claims and other actions, and potential litigation, claims and other actions against us; an adverse outcome in regulatory reviews and audits and potential regulatory reviews and audits; adverse changes in state tax laws and/or positions taken by state taxing authorities affecting us; technological changes and introductions of new competing products; changes in end-user preferences for competing technologies, relative to our product offering; economic conditions that affect the telecommunications sector, the data communications sector, certain technology sectors and/or certain industry market sectors (for example, mining, oil & gas, military and wireless carrier industry market sectors); economic conditions that affect U.S. based manufacturers; economic conditions or changes in relative currency strengths (for example, the strengthening of the U.S. dollar relative to certain foreign currencies) that affect certain geographic markets, the relative costs of U.S. products exported, and/or the economy as a whole; changes in demand for our products from certain competitors for which we provide private label connectivity products; changes in the mix of products sold during any given period (due to, among other things, seasonality or strength or weaknesses in particular markets in which we participate) which may impact gross profits and gross profit margins or net sales; variations in orders and production volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins; variations resulting from high volatility, large sales orders and high sales concentration among a limited number of customers in the wireless carrier market; terrorist attacks or acts of war, and any current or potential future military conflicts; changes in the level of military spending or other spending by the United States government, including, but not limited to reductions in government spending due to automatic budget cuts or sequestration; ability to recruit and retain key personnel; poor labor relations; the impact of changes in accounting policies and related costs of compliance, including changes by the Securities and Exchange Commission (“SEC”), the Public Company Accounting Oversight Board (“PCAOB”), the Financial Accounting Standards Board (“FASB”), and/or the International Accounting Standards Board (“IASB”); our ability to continue to successfully comply with, and the cost of compliance with, the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 or any revisions to that act which apply to us; the impact of changes and potential changes in federal laws and regulations adversely affecting our business and/or which result in increases in our direct and indirect costs, including our direct and indirect costs of compliance with such laws and regulations; the impact of the Patient Protection and Affordable Care Act of 2010, the Health Care and Education Reconciliation Act of 2010, and any revisions to those acts that apply to us and the related legislation and regulation associated with those acts, which directly or indirectly results in increases to our costs; the impact of changes in state or federal tax laws and regulations increasing our costs and/or impacting the net return to investors owning our shares; any changes in the status of our compliance with financial debt covenants with our lenders; the impact of future consolidation among competitors and/or among customers adversely affecting our position with our customers and/or our market position; actions by customers adversely affecting us in reaction to the expansion of our product offering in any manner, including, but not limited to, by offering products that compete with our customers, and/or by entering into alliances with, making investments in or with, and/or acquiring parties that compete with and/or have conflicts with our customers; voluntary or involuntary delisting of the Company’s common stock from any exchange on which it is traded; the deregistration by the Company from SEC reporting requirements, as a result of the small number of holders of the Company’s common stock; a reduction or elimination of dividends declared to shareholders due to inadequate or alternative uses of cash on hand; adverse reactions by customers, vendors or other service providers to unsolicited proposals regarding the ownership or management of the Company; the additional costs of considering, responding to and possibly defending our position on unsolicited proposals regarding the ownership or management of the Company; impact of weather or natural disasters in the areas of the world in which we operate, market our products and/or acquire raw materials; an increase in the number of shares of the Company’s common stock issued and outstanding; economic downturns generally and/or in one or more of the markets in which we operate; changes in market demand, exchange rates, productivity, market dynamics, market confidence, macroeconomic and/or other economic conditions in the areas of the world in which we operate and market our products; and our success in managing the risks involved in the foregoing.

We caution readers that the foregoing list of important factors is not exclusive. Furthermore, we incorporate by reference those factors included in current reports on Form 8-K, and/or in our other filings.

Dollar amounts presented in the following discussion have been rounded to the nearest hundred thousand, except in the case of amounts less than one million and except in the case of the table set forth in the “Results of Operations” section, the amounts in which both cases have been rounded to the nearest thousand.

Overview of Optical Cable Corporation

Optical Cable Corporation (or OCC®) is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market and various harsh environment and specialty markets (the non-carrier markets), offering integrated suites of high quality products which operate as a system solution or seamlessly integrate with other providers’ offerings. Our product offerings include designs for uses ranging from enterprise network, datacenter, residential and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical and broadcast applications, and for the wireless carrier market. Our products include fiber optic and copper cabling, fiber optic and copper connectors, specialty fiber optic and copper connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, patch panels, face plates, multi-media boxes, fiber optic reels and accessories and other cable and connectivity management accessories, and are designed to meet the most demanding needs of end-users, delivering a high degree of reliability and outstanding performance characteristics.

OCC® is internationally recognized for pioneering the design and production of fiber optic cables for the most demanding military field applications, as well as of fiber optic cables suitable for both indoor and outdoor use, and creating a broad product offering built on the evolution of these fundamental technologies. OCC is also internationally recognized for its role in establishing copper connectivity data communications standards through its innovative and patented technologies.

Founded in 1983, Optical Cable Corporation is headquartered in Roanoke, Virginia with offices, manufacturing and warehouse facilities located in Roanoke, Virginia, near Asheville, North Carolina and near Dallas, Texas. We primarily manufacture our fiber optic cables at our Roanoke facility which is ISO 9001:2008 registered and MIL-STD-790F certified, our enterprise connectivity products at our Asheville facility which is ISO 9001:2008 registered, and our harsh environment and specialty connectivity products at our Dallas facility which is ISO 9001:2008 registered and MIL-STD-790F certified.

OCC designs, develops and manufactures fiber optic cables for a broad range of enterprise, harsh environment and specialty markets and applications. We refer to these products as our fiber optic cable offering. OCC designs, develops and manufactures fiber and copper connectivity products for the enterprise market, including a broad range of enterprise and residential applications. We refer to these products as our enterprise connectivity product offering. OCC designs, develops and manufactures a broad range of specialty fiber optic connectors and connectivity solutions principally for use in military and other harsh environment applications. We refer to these products as our harsh environment and specialty connectivity product offering.

We market and sell the products manufactured at our Dallas facility through our wholly owned subsidiary Applied Optical Systems, Inc. ("AOS") under the names Optical Cable Corporation and OCC® by the efforts of our integrated OCC sales team.

The OCC team seeks to provide top-tier communication solutions by bundling all of our fiber optic and copper data communication product offerings into systems that are best suited for individual data communication needs and application requirements of our customers and the end-users of our systems.

Optical Cable Corporation owns 70% of the authorized membership interests of Centric Solutions LLC ("Centric Solutions"). Centric Solutions is a business founded in 2008 that provides turnkey cabling and connectivity solutions for the datacenter market. Centric Solutions operates and goes to market independently from Optical Cable Corporation; however, in some cases, Centric Solutions may offer products from OCC's product offering. Centric Solutions' facility lease expired November 30, 2015, subsequent to the end of OCC's fiscal year 2015, and was not renewed. OCC has transitioned Centric Solutions' business to OCC's facility near Dallas, Texas.

Optical Cable Corporation, OCC®, Procyon®, Procyon Blade™, Superior Modular Products, SMP Data Communications, Applied Optical Systems, and associated logos are trademarks of Optical Cable Corporation.

Summary of Company Performance for Fiscal Year 2015

- Consolidated net sales for fiscal year 2015 were $73.6 million, a decrease of 11.3% compared to net sales of $83.0 million for fiscal year 2014, due to weakness in various specialty markets and volatility in the wireless carrier market. A consolidated net sales increase of more than 9% to approximately $38.0 million (excluding Centric Solutions) in OCC's enterprise market was insufficient to overcome decreases in these other markets.

- OCC's net sales were negatively impacted by a decrease in demand in certain industry markets, including the military, oil & gas, and mining specialty markets. Many of these specialty markets require specific product and solution expertise and tend to have higher gross profit margins. Net sales outside the U.S. were also negatively impacted by the strong U.S. dollar relative to other international currencies during fiscal year 2015.

- Gross profit was $21.8 million in fiscal year 2015, compared to $28.5 million for fiscal year 2014. Gross profit was impacted by lower net sales in certain specialty markets which tend to have higher gross profit margins. Also impacting gross profit was the wireless carrier market, with pricing pressures and with higher volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins.

- Selling, general and administrative expenses decreased 10.9% during fiscal year 2015 when compared to fiscal year 2014, consistent with our efforts to control and reduce costs.

- Net loss attributable to OCC was $4.3 million, or $0.69 per share, during fiscal year 2015, compared to net income attributable to OCC of $684,000, or $0.10 per share, during fiscal year 2014. A non-cash charge of $2.4 million, or $0.39 per share, in connection with a valuation allowance offsetting OCC's net deferred tax assets, significantly impacted OCC's net loss for the fiscal year.

- OCC generated annual positive cash flow from operating activities again this year. Net cash provided by operating activities was $1.2 million in fiscal year 2015.

- OCC returned a total of $940,000 to shareholders by declaring dividends and repurchasing OCC's common stock during fiscal year 2015.

    - OCC declared quarterly cash dividends totaling $0.08 per share during fiscal year 2015, or $560,000, continuing the regular return of capital to shareholders initiated when we declared our first quarterly dividend in October 2010.

    - OCC repurchased and retired 80,636 shares of common stock during fiscal year 2015, returning $380,000 in capital to shareholders.

- OCC experienced unusual weakness in many of its markets at the end of fiscal year 2015 (and during the end of calendar 2015), impacting fourth quarter net sales. Net sales during the fourth quarter typically are stronger due to historic seasonality.

- The OCC team implemented cost reductions near the end of fiscal year 2015 and during the first quarter of 2016, including personnel reductions at the end of fiscal year 2015 expected to save approximately $1.0 million per year beginning in fiscal year 2016.

- The OCC team continues to look for opportunities to increase sales, to increase manufacturing efficiencies and to reduce costs during this period of weakness in certain of our markets.

Results of Operations

We sell our products internationally and domestically through our sales force to our customers, which include major distributors, various regional and smaller distributors, original equipment manufacturers and value-added resellers. All of our sales to customers outside of the United States are denominated in U.S. dollars. We can experience fluctuations in the percentage of net sales to customers outside of the United States and in the United States from period to period based on the timing of large orders, coupled with the impact of increases and decreases in sales to customers in various regions of the world. Sales outside of the U.S. can also be impacted by fluctuations in the exchange rate of the U.S. dollar compared to other currencies.

Net sales consist of gross sales of products less discounts, refunds and returns. Revenue is recognized at the time of product shipment or delivery to the customer (including distributors) provided that the customer takes ownership and assumes risk of loss (based on shipping terms), collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Our customers generally do not have the right of return unless a product is defective or damaged and is within the parameters of the product warranty in effect for the sale.

Cost of goods sold consists of the cost of materials, product warranty costs and compensation costs, and overhead and other costs related to our manufacturing operations. The largest percentage of costs included in cost of goods sold is attributable to costs of materials.

Our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis and may vary based on changes in product mix. To the extent not negatively impacted by product mix, gross profit margins tend to be higher when we achieve higher net sales levels, as certain fixed manufacturing costs are spread over higher sales. Hybrid cables (fiber and copper) with higher copper content tend to have lower gross profit margins.

Selling, general and administrative expenses ("SG&A expenses") consist of the compensation costs for sales and marketing personnel, shipping costs, trade show expenses, customer support expenses, travel expenses, advertising, bad debt expense, the compensation costs for administration and management personnel, legal, accounting, advisory and professional fees, costs incurred to settle litigation or claims and other actions against us, and other costs associated with our operations.

Royalty expense, net consists of royalty and related expenses, net of royalty income earned, if any, on licenses associated with our patented products.

Amortization of intangible assets consists of the amortization of capitalized costs associated with internally developed patents that have been granted. Amortization of intangible assets in fiscal years 2014 and 2013 also included the amortization of intellectual property and customer list acquired in the acquisition of AOS. Both the intellectual property and customer list were fully amortized during fiscal year 2014. Amortization of intangible assets is calculated using the straight line method over the estimated useful lives of the intangible assets.

Other expense, net consists of interest expense and other miscellaneous income and expense items not directly attributable to our operations.

The following table sets forth and highlights fluctuations in selected line items from our consolidated statements of operations for the periods indicated:

	Fiscal Years Ended October 31,			**Fiscal Years Ended October 31,**		
	2015	**2014**	**Percent Change**	**2014**	**2013**	**Percent Change**
Net sales	$ 73,600,000	$ 83,000,000	(11.3)%	$ 83,000,000	$ 75,300,000	10.2%
Gross profit	21,800,000	28,500,000	(23.4)	28,500,000	25,900,000	9.9
SG&A expenses	24,000,000	27,000,000	(10.9)	27,000,000	25,000,000	8.0
Net income (loss) attributable to OCC	(4,300,000)	684,000	(722.0)	684,000	(43,000)	1,697.3

Net Sales

Consolidated net sales for fiscal year 2015 were $73.6 million, a decrease of $9.4 million (or 11.3%) when compared to net sales of $83.0 million in fiscal year 2014, due to weakness in various specialty markets and volatility in the wireless carrier market. A consolidated net sales increase of more than 9% to approximately $39.0 million (excluding Centric Solutions) in OCC's enterprise market was insufficient to overcome decreases in these other markets.

The decrease in net sales when comparing fiscal years 2015 and 2014 is due to the decrease in net sales of our fiber optic cable products in various specialty markets and our harsh environment and specialty connectivity products. The majority of the net sales decrease in fiscal year 2015 was attributable to large orders from one customer decreasing $6.0 million (or 42.9%) to $8.0 million, when compared to $14.0 million in orders from this customer in fiscal year 2014.

Additionally, OCC's net sales were negatively impacted by a decrease in demand in the military, oil & gas, and mining specialty markets, during fiscal year 2015—markets experiencing macroeconomic weakness. Many of our products for these specialty markets require specific product and solution expertise and tend to generate higher gross profit margins. We are also seeing downward pressure on pricing in certain markets, particularly the wireless carrier market.

Net sales outside the U.S. were also negatively impacted by a strong U.S. dollar relative to other currencies, particularly in certain geographic regions. We also experienced unusual weakness in many of our markets at the end of fiscal year 2015 (and during the end of calendar 2015), impacting net sales during the fourth quarter of fiscal year 2015. Net sales during the fourth quarter typically are stronger due to historic seasonality.

The OCC team continues to look for opportunities to increase sales, to increase manufacturing efficiencies and to reduce costs during this period of weakness in certain of our markets.

OCC's net sales for fiscal year 2014 were $83.0 million—the second highest annual net sales in our history. Net sales increased 10.2% in fiscal year 2014 compared to $75.3 million in fiscal year 2013. The increase in net sales when comparing fiscal years 2014 and 2013 is due primarily to the increase in net sales of our fiber optic cable products. We recognized net sales totaling approximately $14.0 million in fiscal year 2014 as the result of a number of large orders for one customer, compared to net sales of approximately $4.5 million in fiscal year 2013 for that customer.

Net sales to customers outside of the United States were 22%, 21% and 30% of total net sales for fiscal years 2015, 2014 and 2013, respectively. Net sales to customers in the United States decreased 12.3% during fiscal year 2015 compared to fiscal year 2014, and net sales to customers outside of the United States decreased 7.7%. Net sales outside the U.S. continue to be negatively impacted by the strong U.S. dollar relative to other currencies.

We typically expect net sales to be relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year. We believe this historical seasonality pattern is generally indicative of an overall trend and reflective of the buying patterns and budgetary cycles of our customers. However, this pattern may be substantially altered during any quarter or year, as was the case in the fiscal year 2015, by the timing of larger projects, timing of orders from larger customers, other economic factors impacting our industry or impacting the industries of our customers and end-users and macroeconomic conditions. While we believe seasonality may be a factor that impacts our quarterly net sales results, we are not able to reliably predict net sales based on seasonality because these other factors can also substantially impact our net sales patterns during the year.

Gross Profit

Gross profit decreased 23.4% to $21.8 million in fiscal year 2015 from $28.5 million in fiscal year 2014. Gross profit margin, or gross profit as a percentage of net sales, was 29.6% for fiscal year 2015, compared to 34.3% for fiscal year 2014. Gross profit was impacted by lower net sales in certain specialty industry markets which tend to have higher gross profit margins. Also impacting gross profit was the wireless carrier market, with pricing pressures and with volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins.

The OCC team implemented cost reductions near the end of fiscal year 2015 and during the first quarter of 2016, which we expect will positively impact cost of goods sold, gross profit and SG&A expenses later in fiscal year 2016. The cost reductions implemented include personnel cost reductions at the end of fiscal year 2015 expected to save approximately $1.0 million per year beginning in fiscal year 2016. Personnel cost reductions to date primarily are expected to positively impact cost of goods sold and gross profit.

Gross profit was $28.5 million in fiscal year 2014, a 9.9% increase from $25.9 million in fiscal year 2013. Gross profit margin was 34.3% for fiscal year 2014, compared to 34.4% for fiscal year 2013.

Net sales decreases in certain specialty markets and pricing pressures in certain markets, particularly the wireless carrier market, negatively impacted gross profits during fiscal year 2015, compared to fiscal year 2014. Additionally, our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis and may vary based on changes in product mix. The lower gross profit margin in fiscal year 2015 when compared to fiscal year 2014 was primarily due to the sale of certain lower margin products that negatively impacted our gross profit margin.

The slightly lower gross profit margin in fiscal year 2014, when compared to fiscal year 2013, was primarily due to an increase in sales of certain products that negatively impacted our gross profit margin.

Selling, General and Administrative Expenses

SG&A expenses decreased $2.9 million (or 10.9%) to $24.0 million in fiscal year 2015 from $27.0 million in fiscal year 2014, consistent with our efforts to control and reduce costs. SG&A expenses as a percentage of net sales were 32.7% in fiscal year 2015, compared to 32.5% in fiscal year 2014.

The decrease in SG&A expenses during fiscal year 2015 compared to fiscal year 2014 was primarily due to decreased employee related costs, decreased legal and professional fees and decreased shipping costs. Compensation costs have decreased when comparing fiscal year 2015 to fiscal year 2014 due to the reorganization initiatives implemented during the latter part of fiscal year 2014 and decreases in commissions and employee incentives resulting from decreased net sales and the financial results during fiscal year 2015. Legal and professional fees decreased when comparing fiscal year 2015 to fiscal year 2014 due to atypically high legal and professional fees that occurred in fiscal year 2014 that were not expected to recur and that did not recur in fiscal year 2015. Shipping costs decreased due to the decrease in net sales.

The OCC team implemented cost reductions near the end of fiscal year 2015 and during the first quarter of 2016, which we expect will positively impact cost of goods sold, gross profit and SG&A expenses later in fiscal year 2016. The cost reductions implemented include personnel cost reductions at the end of fiscal year 2015 expected to save approximately $1.0 million per year beginning in fiscal year 2016. Personnel cost reductions to date primarily are expected to positively impact cost of goods sold and gross profit.

SG&A expenses increased to $27.0 million in fiscal year 2014 from $25.0 million in fiscal year 2013. SG&A expenses as a percentage of net sales decreased to 32.5% in fiscal year 2014, compared to 33.2% in fiscal year 2013.

The increase in SG&A expenses during fiscal year 2014 compared to fiscal year 2013 was primarily due to increased legal and professional fees, reorganization initiatives and employee related costs. Compensation costs increased in fiscal year 2014 when compared to fiscal year 2013 largely as a result of increases in commissions and employee incentives due to increased net sales during fiscal year 2014.

Royalty Expense, Net

We recognized royalty expense, net of royalty income, totaling $124,000 during fiscal year 2015, compared to $110,000 during fiscal year 2014. We expect the trend of royalty expense largely or completely offsetting royalty income to continue in fiscal year 2016 as a result of the decline in royalty income due to the expiration of patents for licensed products.

We recognized royalty expense, net of royalty income, totaling $110,000 during fiscal year 2014, compared to $79,000 during fiscal year 2013.

Amortization of Intangible Assets

We recognized $11,000 of amortization expense, associated with intangible assets, during fiscal year 2015, compared to amortization expense of $41,000 during fiscal year 2014. The decrease in amortization expense when comparing the two fiscal years is primarily due to the fact that intangible assets, acquired in connection with the acquisition of AOS in 2009, were fully amortized during fiscal year 2014.

We recognized $41,000 of amortization expense, associated with intangible assets, during fiscal year 2014, compared to amortization expense of $70,000 during fiscal year 2013.

Other Expense, Net

We recognized other expense, net of $433,000 in fiscal year 2015 compared to $442,000 in fiscal year 2014. Other expense, net for fiscal year 2015 is comprised of: interest expense totaling $440,000 related primarily to monies borrowed in connection with the acquisition of SMP Data Communications in fiscal year 2008, borrowings under our revolving credit facility, and other interest incurred in the normal course of business; and other miscellaneous items which may fluctuate from period to period.

We recognized other expense, net of $442,000 in fiscal year 2014 compared to $492,000 in fiscal year 2013. Other expense, net for fiscal year 2014 is comprised of: interest expense totaling $414,000 related primarily to monies borrowed in connection with the acquisition of SMP Data Communications in fiscal year 2008, borrowings under our revolving credit facility, and other interest incurred in the normal course of business; and other miscellaneous items which may fluctuate from period to period.

Income (Loss) Before Income Taxes

We reported a loss before income taxes of $2.8 million for fiscal year 2015 compared to income before income taxes of $891,000 for fiscal year 2014. This change was primarily due to the decrease in gross profit of $6.7 million in fiscal year 2015 compared to fiscal year 2014, partially offset by the decrease in SG&A expenses of $2.9 million, compared to fiscal year 2014.

We reported income before income taxes of $891,000 for fiscal year 2014 compared to $275,000 for fiscal year 2013. This increase was primarily due to the increase in gross profit of $2.6 million in fiscal year 2014 compared to fiscal year 2013, partially offset by the increase in SG&A expenses of $2.0 million, compared to fiscal year 2013.

Income Tax Expense

Income tax expense totaled $1.5 million for fiscal year 2015, compared to $268,000 for fiscal year 2014. Our effective tax rate was negative 52.7% in fiscal year 2015, compared to 30.0% in fiscal year 2014.

Fluctuations in our effective tax rates are primarily due to permanent differences in U.S. GAAP and tax accounting for various tax deductions and benefits, but can also be significantly different from the statutory tax rate when income or loss before taxes is at a level such that permanent differences in U.S. GAAP and tax accounting treatment have a disproportional impact on the projected effective tax rate.

Our effective tax rate for fiscal year 2015 was significantly impacted by the establishment of a $2.4 million valuation allowance against all of our net deferred tax assets, which is a non-cash charge that increased our net loss attributable to OCC for fiscal year 2015 by $2.4 million, or $0.39 per share. See Note 12 to the Consolidated Financial Statements.

Generally, net deferred tax assets arise from temporary differences between amounts recognized for purposes of U.S. generally accepted accounting principles ("U.S. GAAP") and amounts recognized for tax purposes that result in deductible amounts in future years based on provisions of the tax law. For example, net deferred tax assets can arise from allowances for doubtful accounts (not currently deducted for income tax purposes), allowances against inventory for damaged or slow moving items (not currently deducted for income tax purposes), net operating loss carryforwards (not useable in the current period to reduce income taxes), and similar items from which we might expect to realize a future tax benefit.

U.S. GAAP requires us to evaluate whether it is "more likely than not" that we will be unable to realize the future benefits of our net deferred tax assets. The amount of our loss before income taxes in fiscal year 2015 exceeds our income before taxes during the last two fiscal years. Under U.S. GAAP, this is significant negative evidence—quite difficult to overcome—that leads us to conclude that it is "more likely than not" that we will be unable to realize the future benefits of our net deferred tax assets in the coming years. We have not been able to overcome this conclusion under U.S. GAAP with the required objectively verifiable positive evidence.

While we believe that ultimately we will utilize the benefit of our net deferred tax assets in the future (prior to any expiration of the usability of such deferred tax assets for income tax purposes), we have concluded as a result of our cumulative loss position and insufficient objectively verifiable positive evidence, it is appropriate under U.S. GAAP for us to establish a full valuation allowance against net deferred tax assets as of October 31, 2015.

As a result of establishing a full valuation allowance against our net deferred tax assets, if we generate sufficient taxable income in future periods to realize a portion or all of our net deferred tax assets, our effective income tax rate could be unusually low due to the tax benefit attributable to the necessary decrease in our valuation allowance. Furthermore, if we generate losses before taxes in future periods, our effective income tax rate could also be unusually low, as any increase in our net deferred tax asset from such a net operating loss for tax purposes, would be offset by a corresponding increase to our valuation allowance against our net deferred tax assets.

If we generate sufficient income before taxes in future periods such that U.S. GAAP would permit us to conclude that the removal of any valuation allowance against our net deferred tax asset is appropriate, then during the period in which such determination is made, we will recognize the non-cash benefit of such removal of the valuation allowance in income tax expense on our consolidated statement of operations, which will increase our net income attributable to OCC and will also increase the net deferred tax asset on our consolidated balance sheet. If we do not generate sufficient income before taxes in future periods such that U.S. GAAP would permit us to conclude that the reduction or removal of any valuation allowance against our net deferred tax is appropriate, then no such non-cash benefit would be realized. There can be no assurance regarding any future realization of the benefit by us of all or part of our net deferred tax assets.

See also "Critical Accounting Policies" below and Note 12 to the Consolidated Financial Statements.

Income tax expense totaled $268,000 for fiscal year 2014, compared to $348,000 for fiscal year 2013. Our effective tax rate was 30.0% in fiscal year 2014, compared to 126.3% in fiscal year 2013. During fiscal year 2013, our effective tax rate was negatively impacted by both the disproportionate share of our combined permanent differences relative to pretax income and the impact of the loss of a portion of the permanent domestic manufacturing deductions taken by us in fiscal years 2011 and 2012, resulting from the anticipated carryback of our fiscal year 2013 net operating loss.

Net Income (Loss)

Net loss attributable to OCC for fiscal year 2015 was $4.3 million compared to net income attributable to OCC of $684,000 for fiscal year 2014. This change was primarily due to the decrease in income before income taxes of $3.7 million and the increase in income tax expense of $1.2 million in fiscal year 2015 compared to fiscal year 2014.

Net loss attributable to OCC for fiscal year 2015 was increased by $2.4 million, or $0.39 per share, due to a non-cash charge of $2.4 million to income tax expense to reflect the establishment of a $2.4 million valuation allowance against net deferred tax assets. See disclosures under “Income Tax Expense” above.

Net income attributable to OCC for fiscal year 2014 was $684,000 compared to a net loss attributable to OCC of $43,000 for fiscal year 2013. This change was primarily due to the increase in income before income taxes of $615,000 for fiscal year 2014 compared to fiscal year 2013.

Financial Condition

Total assets decreased $5.0 million, or 10.0%, to $45.0 million at October 31, 2015, from $50.0 million at October 31, 2014. This decrease is primarily due to a $4.9 million decrease in trade accounts receivable, net and a $2.3 million decrease in deferred tax assets. Trade accounts receivable, net decreased largely as a result of the decrease in net sales in the fourth quarter of fiscal year 2015 when compared to the fourth quarter of fiscal year 2014. Deferred tax assets decreased due to the establishment of a $2.4 million valuation allowance against net deferred tax assets, resulting in a non-cash $2.4 million increase in net loss attributable to OCC. See disclosures under “Income Tax Expense” above.

Total liabilities decreased $592,000, or 3.0%, to $19.1 million at October 31, 2015, from $19.7 million at October 31, 2014. The decrease in total liabilities was primarily due to a $3.0 million decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes and a $676,000 decrease in income taxes payable, partially offset by a $3.5 million increase in note payable to bank under our revolving credit facility. Accounts payable and accrued expenses, including accrued compensation and payroll taxes, decreased primarily due to the timing of payments related to certain raw material purchases when comparing the two periods and the timing of certain vendor and payroll related payments. The balance on our revolving credit facility has increased primarily as the result of investments in new manufacturing equipment at our fiber optic cable production facility.

Total shareholders’ equity attributable to OCC at October 31, 2015 decreased $4.4 million, or 14.1%, during fiscal year 2015. The decrease resulted primarily from a net loss attributable to OCC of $4.3 million (which includes a non-cash charge of $2.4 million related to the establishment of a valuation allowance against the full value of our net deferred tax assets), dividends declared of $560,000 and the repurchase and retirement of 80,636 shares of our common stock for $380,000, partially offset by share-based compensation, net of $819,000.

Liquidity and Capital Resources

Our primary capital needs during fiscal year 2015 have been to fund working capital requirements and capital expenditures. Our primary source of capital for these purposes has been existing cash, borrowings under our revolving credit facility and cash provided by operations. As of October 31, 2015 and 2014, we had an outstanding loan balance under our revolving credit facility totaling $6.0 million and $2.5 million, respectively. As of October 31, 2015 and 2014, we had outstanding loan balances, excluding our revolving credit facility, totaling $7.2 million and $7.5 million, respectively. We have not borrowed any funds under our revolving credit facility since August 2015.

Our cash totaled $1.1 million as of October 31, 2015 and 2014. Net cash provided by operating activities of $1.2 million and net cash provided by financing activities of $2.0 million were offset by capital expenditures totaling $3.1 million.

On October 31, 2015, we had working capital of $23.5 million, compared to $26.1 million as of October 31, 2014. The ratio of current assets to current liabilities as of October 31, 2015, was 5.2 to 1 compared to 3.8 to 1 as of October 31, 2014. The decrease in working capital as of October 31, 2015 compared to October 31, 2014 was primarily due to the $4.9 million decrease in trade accounts receivable, net and the $1.9 million decrease in deferred tax assets - current, partially offset by the $3.0 million decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes. The improved ratio of current assets to current liabilities as of October 31, 2015 compared to October 31, 2014 was due to the fact that current assets decreased 17.6% while current liabilities decreased 39.3%.

Net Cash

Net cash provided by operating activities was $1.2 million in fiscal year 2015 compared to $4.4 million in fiscal year 2014, and $3.5 million in fiscal year 2013.

Net cash provided by operating activities during fiscal year 2015 primarily resulted from certain adjustments to reconcile a net loss of $4.3 million to net cash provided by operating activities including depreciation, amortization and accretion of $2.1 million and share-based compensation expense of $1.1 million. Additionally, the cash flow impact of decreases in trade accounts receivable, net of $4.9 million further contributed to net cash provided by operating activities. All of the aforementioned factors positively affecting cash provided by operating activities were partially offset by the cash flow impact of decreases in accounts payable and accrued expenses, including accrued compensation and payroll taxes, of $3.4 million.

Net cash provided by operating activities during fiscal year 2014 primarily resulted from net income of $623,000 and certain adjustments to reconcile net income to net cash provided by operating activities, including depreciation, amortization and accretion of $2.0 million, and share-based compensation expense of $957,000. Additionally, the cash flow impact of increases in accounts payable and accrued expenses, including accrued compensation and payroll taxes, of $3.8 million, and the decrease in inventories of $716,000 further contributed to net cash provided by operating activities. All of the aforementioned factors positively affecting cash provided by operating activities were partially offset by the cash flow impact of increases in trade accounts receivable, net of $4.1 million.

Net cash provided by operating activities during fiscal year 2013 primarily resulted from certain adjustments to reconcile a net loss of $72,000 to net cash provided by operating activities, including depreciation, amortization and accretion of $2.1 million, and share-based compensation expense of $971,000. Additionally, the cash flow impact of decreases in trade accounts receivable, net of $2.6 million further contributed to net cash provided by operating activities. All of the aforementioned factors positively affecting cash provided by operating activities were partially offset by the cash flow impact of decreases in accounts payable and accrued expenses, including accrued compensation and payroll taxes, of $3.0 million.

Net cash used in investing activities totaled $3.2 million in fiscal year 2015 compared to $3.0 million in fiscal year 2014 and $3.1 million in fiscal year 2013. Net cash used in investing activities during fiscal years 2015, 2014 and 2013 resulted primarily from the purchase of property and equipment and deposits for the purchase of property and equipment.

Net cash provided by financing activities totaled $2.0 million in fiscal year 2015, compared to net cash used in financing activities totaling $1.1 million in fiscal year 2014 and $173,000 in fiscal year 2013. Net cash provided by financing activities in fiscal year 2015 resulted primarily from proceeds from a note payable to our bank under our line of credit, net of repayments, of $3.5 million, partially offset by the $556,000 payment of dividends previously declared and the repurchase and retirement of 80,636 shares of our common stock for $380,000. Net cash used in financing activities in fiscal year 2014 resulted primarily from the $540,000 payment of dividends previously declared, principal payments on our long-term debt of $259,000 and the repurchase and retirement of 44,464 shares of our common stock for $195,000. Net cash used in financing activities in fiscal year 2013 resulted primarily from the repurchase and retirement of 129,500 shares of our common stock for $543,000 and the $479,000 payment of dividends previously declared, partially offset by proceeds from a note payable to our bank under our line of credit, net of repayments, of $1.5 million.

We have a plan, approved by our Board of Directors on July 14, 2015, to purchase and retire up to 400,000 shares of our common stock, or approximately 6.0% of the shares then outstanding. We anticipate that the purchases will be made over a 24- to 36-month period, but there is no definite time period for repurchase. As of October 31, 2015, we had 398,400 shares remaining to purchase under this plan.

As of the date hereof, we have suspended purchases under our share repurchase plan given current business conditions. At this time, we believe this suspension will be temporary and we will evaluate resuming the share repurchase plan as appropriate.

Credit Facilities

We have credit facilities consisting of a real estate term loan, as amended (the “Virginia Real Estate Loan”), a supplemental real estate term loan, as amended (the “North Carolina Real Estate Loan”) and a revolving credit facility, as amended (the “Commercial Loan”).

Both the Virginia Real Estate Loan and the North Carolina Real Estate Loan are with BNC Bancorp, as successor to Valley Bank (“BNC”), have a fixed interest rate of 4.25% and are secured by a first priority lien on all of our personal property and assets, except for our inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper, as well as a first lien deed of trust on the Company’s real property.

The Commercial Loan with SunTrust Bank (“SunTrust”) provides us with a revolving line of credit for the working capital needs of the Company. Under the terms of the Commercial Loan, we may borrow an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) $9.0 million, or (ii) the sum of 85% of certain receivables aged 90 days or less plus 35% of the lesser of $1.0 million or certain foreign receivables plus 25% of certain raw materials inventory.

On May 7, 2015, we entered into a commercial note of renewal (“Binding Letter of Renewal”) extending the maturity date of the Commercial Loan to August 31, 2017. The Binding Letter of Renewal extends the maturity date of the Commercial Loan. All other terms of the Commercial Loan remain unaltered and remain in full force and effect. Within the revolving loan limit of the Commercial Loan and Binding Letter of Renewal, we may borrow, repay, and reborrow, at any time until August 31, 2017. We also entered into an Amended and Restated Security Agreement dated May 7, 2015 which is substantially similar in all material aspects to, and replaces in its entirety, the original Security Agreement dated April 30, 2010.

Advances under the Commercial Loan accrue interest at LIBOR plus 2.2% (resulting in a 2.39% rate at October 31, 2015). Accrued interest on the outstanding principal balance is due on the first day of each month, with all then outstanding principal, interest, fees and costs due at the Commercial Loan maturity of August 31, 2017.

The Commercial Loan is secured by a first priority lien on all of our inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper.

The terms of our credit facilities with both SunTrust and BNC require us to comply, on a quarterly basis, with specific financial covenants including a debt service coverage ratio. We are required to maintain a debt service coverage ratio of not less than 1.5 to 1.0. The ratio is calculated by dividing adjusted EBITDA, as defined in the loan agreements, by current maturities of long-term debt plus consolidated interest expense. As of October 31, 2015, we had a debt service coverage ratio of 1.08, and therefore, we were not in compliance with the debt service coverage ratio covenant under our credit facilities.

Subsequent to our fiscal year end, we entered into (i) a Modification of Commercial Note and Agreement to Commercial Note and (ii) a Second Amended and Restated Security Agreement (collectively, the “Commercial Loan Modification”) with SunTrust, as of January 25, 2016, and we entered into a Seventh Loan Modification Agreement (the “Real Estate Loan Modification”) with BNC, dated as of January 25, 2016.

The Commercial Loan Modification and the Real Estate Loan Modification (together, the “Loan Modifications”) both provide a waiver of non-compliance of the debt service coverage ratio covenant for both the quarter ended October 31, 2015 and the quarter ending January 31, 2016. Further, the debt service coverage covenant has been temporarily modified to an interest coverage covenant, as defined in the Loan Modifications, with a ratio of 1.25 to 1.00 for the quarter ending April 30, 2016, increasing to 1.50 to 1.00 for the quarters ending July 31, 2016 and October 31, 2016.

Pursuant to the Commercial Loan Modification with SunTrust, we agreed to an increase in the interest rate on advances under the Commercial Loan from LIBOR plus 2.2% to LIBOR plus 2.75%, effective January 25, 2016, and a covenant waiver fee of $25,000. Additionally, the Commercial Loan Modification limits certain capital expenditures and additional indebtedness, if any, and has placed certain limits on dividend payments and stock repurchases, in each case as defined in the Commercial Loan Modification.

Pursuant to the Real Estate Loan Modification with BNC, we agreed to a covenant waiver fee of $10,000. Additionally, the Real Estate Loan Modification has similar limits on capital expenditures, as defined in the Real Estate Loan Modification, to those limits set forth in the Commercial Loan Modification with SunTrust.

As of October 31, 2015, we had $6.0 million of outstanding borrowings on our Commercial Loan and approximately $2.6 million in available credit.

Capital Expenditures

During the year ended October 31, 2015, we invested approximately $2.9 million to add new manufacturing equipment at our fiber optic cable production facility to further expand the breadth of our production capabilities and to support anticipated increased demand for our fiber optic cable products. As of October 31, 2015, we have committed approximately $500,000 to further support these efforts. We did not have any other material commitments for capital expenditures as of October 31, 2015. During our 2015 fiscal year budgeting process, we included an estimate for capital expenditures for the year of $5.5 million. We incurred capital expenditures totaling $3.1 million for items including new manufacturing equipment, improvements to existing manufacturing equipment, new information technology equipment and software, upgrades to existing information technology equipment and software, furniture and other capitalizable expenditures for property, plant and equipment for fiscal year 2015.

During our 2016 fiscal year budgeting process, we included an estimate for capital expenditures of $1.8 million for the year, including commitments as of October 31, 2015. Any capital expenditures will be funded out of our working capital, cash provided by operations or borrowings under our credit facilities, as appropriate. This amount includes estimates for capital expenditures for similar types of items as those purchased in fiscal year 2015. Capital expenditures are reviewed and approved based on a variety of factors including, but not limited to, current cash flow considerations, the expected return on investment, project priorities, impact on current or future product offerings, availability of personnel necessary to implement and begin using acquired equipment, and economic conditions in general. Historically, we have spent less than our budgeted capital expenditures in most fiscal years.

Corporate acquisitions and other strategic investments are considered outside of our annual capital expenditure budgeting process.

Future Cash Flow Considerations

We believe that our cash flow from operations, our cash on hand and our existing credit facilities will be adequate to fund our operations for at least the next twelve months.

From time to time, we are involved in various claims, legal actions and regulatory reviews arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Seasonality

Historically, net sales are relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year, which we believe may be partially due to construction cycles and budgetary considerations of our customers. For example, our trend for the last three fiscal years has been that an average of approximately 49%, 44% and 48% of our net sales occurred during the first half of fiscal years 2015, 2014 and 2013, respectively, and an average of approximately 51%, 56% and 52% of our net sales occurred during the second half of fiscal years 2015, 2014 and 2013, respectively. We believe net sales may not follow this pattern in periods when overall economic conditions in the industry and/or in the world are atypical.

As a result, we typically expect net sales to be relatively lower in the first half of each fiscal year and relatively higher in the second half of each fiscal year. We believe this historical seasonality pattern is generally indicative of an overall trend and reflective of the buying patterns and budgetary cycles of our customers. However, this pattern may be substantially altered during any quarter or year, as was the case in the fourth quarter of fiscal year 2015, by the timing of larger projects, timing of orders from larger customers, other economic factors impacting our industry or impacting the industries of our customer and end-users and macroeconomic conditions. While we believe seasonality may be a factor that impacts our quarterly net sales results, we are not able to reliably predict net sales based on seasonality because these other factors can also substantially impact our net sales patterns during the year.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based on the consolidated financial statements and accompanying notes which have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 to the consolidated financial statements provides a summary of our significant accounting policies. The following are areas requiring significant judgments and estimates due to uncertainties as of the reporting date: revenue recognition, trade accounts receivable and the allowance for doubtful accounts, inventories, long-lived assets and commitments and contingencies.

Application of the critical accounting policies discussed in the section that follows requires management's significant judgments, often as a result of the need to make estimates of matters that are inherently uncertain. If actual results were to differ materially from the estimates made, the reported results could be materially affected. We are not currently aware of any reasonably likely events or circumstances that would result in materially different results.

Revenue Recognition

Management views revenue recognition as a critical accounting estimate since we must estimate an allowance for sales returns for the reporting period. This allowance reduces net sales for the period and is based on our analysis and judgment of historical trends, identified returns and the potential for additional returns. The estimates for sales returns did not materially differ from actual results for the year ended October 31, 2015.

Trade Accounts Receivable and the Allowance for Doubtful Accounts

Management views trade accounts receivable net of the related allowance for doubtful accounts as a critical accounting estimate since the allowance for doubtful accounts is based on judgments and estimates concerning the likelihood that individual customers will pay the amounts included as receivable from them. In determining the amount of allowance for doubtful accounts to be recorded for individual customers, we consider the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and our judgment as to the overall collectibility of the receivable from that customer. In addition, we establish an allowance for all other receivables for which no specific allowances are deemed necessary. This general allowance for doubtful accounts is based on a percentage of total trade accounts receivable with different percentages used based on different age categories of receivables. The percentages used are based on our historical experience and our current judgment regarding the state of the economy and the industry.

Inventories

Management views the determination of the net realizable value of inventories as a critical accounting estimate since it is based on judgments and estimates regarding the salability of individual items in inventory and an estimate of the ultimate selling prices for those items. Individual inventory items are reviewed and adjustments are made based on the age of the inventory and our judgment as to the salability of that inventory in order for our inventories to be valued at the lower of cost or net realizable value.

Deferred Tax Assets

Management views the valuation of deferred tax assets as a critical accounting estimate since we must assess whether it is “more likely than not” that we will realize the benefits of our gross deferred tax assets and determine an appropriate valuation allowance if we conclude such an allowance is appropriate. This determination requires that we consider all available evidence, both positive and negative, in making this assessment. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified.

Generally, a cumulative loss in recent years is a significant piece of negative evidence that is quite difficult to overcome under U.S. GAAP. Since the amount of our loss before income taxes in fiscal year 2015 exceeds our income before taxes during the last two fiscal years, we believe U.S. GAAP requires us to treat as significant negative evidence that it is “more likely than not” that we will be unable to realize the future benefits of our deferred tax assets in the coming years—significant negative evidence that is quite difficult to overcome under U.S. GAAP and which we have not been able to overcome with sufficient objectively verifiable positive evidence.

While we believe that ultimately we will utilize the benefit of our net deferred tax assets in the future (prior to any expiration of the usability of such deferred tax assets for income tax purposes), we have concluded as a result of our cumulative loss position and insufficient objectively verifiable positive evidence, it is appropriate under U.S. GAAP for us to establish a full valuation allowance against net deferred tax assets as of October 31, 2015.

The valuation allowance against our net deferred tax assets does not in any way impact our ability to use future tax deductions such as our net operating loss carryforwards; rather, the valuation allowance indicates, according to the provisions of Accounting Standards Codification 740, *Income Taxes*, it is “more likely than not” that our deferred tax assets will not be realized.

The valuation allowance that has been established will be maintained until there is sufficient positive evidence to conclude that it is “more likely than not” that our net deferred tax assets will be realized. Our income tax expense for future periods will be reduced to the extent of corresponding decreases in our valuation allowance. There can be no assurance regarding any future realization of the benefit by us of all or part of our net deferred tax assets.

Long-lived Assets

Management views the determination of the carrying value of long-lived assets as a critical accounting estimate since we must determine an estimated economic useful life in order to properly amortize or depreciate our long-lived assets and because we must consider if the value of any of our long-lived assets have been impaired, requiring adjustment to the carrying value.

Economic useful life is the duration of time the asset is expected to be productively employed by us, which may be less than its physical life. Management’s assumptions on wear and tear, obsolescence, technological advances and other factors affect the determination of estimated economic useful life. The estimated economic useful life of an asset is monitored to determine if it continues to be appropriate in light of changes in business circumstances. For example, technological advances or excessive wear and tear may result in a shorter estimated useful life than originally anticipated. In such a case, we would depreciate the remaining net book value of an asset over the new estimated remaining life, thereby increasing depreciation expense per year on a prospective basis. We must also consider similar issues when determining whether or not an asset has been impaired to the extent that we must recognize a loss on such impairment.

The Company amortizes intangible assets over their respective finite lives up to their estimated residual values.

Commitments and Contingencies

Management views accounting for contingencies as a critical accounting estimate since loss contingencies arising from product warranties and defects, claims, assessments, litigation, fines and penalties and other sources require judgment as to any probable liabilities incurred. For example, accrued product warranty costs recorded by us are based primarily on historical experience of actual warranty claims and costs as well as current information with respect to warranty claims and costs. Actual results could differ from the expected results determined based on such estimates of loss contingencies.

Quantitative and Qualitative Disclosures About Market Risk

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of October 31, 2015 our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that expands disclosure requirements and requires an entity to recognize revenue when promised goods or services are transferred to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (“ASU 2015-14”) which defers the effective date of the new revenue recognition standard by one year. Under ASU 2015-14, the new revenue recognition standard is effective for the Company beginning in fiscal year 2019. We are currently evaluating the impact of the adoption of this guidance on our results of operations, financial position and liquidity and our related financial statement disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. In August 2015, the FASB issued Accounting Standards Update 2015-15, *Interest - Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (“ASU 2015-15”) clarifies that entities may continue to defer and present debt issuance costs associated with a line-of-credit as an asset and subsequently amortize the deferred costs ratably over the term of the arrangement. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The new guidance must be applied retrospectively to all prior reporting periods presented. The adoption of ASUs 2015-03 and 2015-15 are not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 changes the inventory valuation method from lower of cost or market to lower of cost and net realizable value for inventory valued using first-in, first-out or average cost. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be applied prospectively with early adoption permitted. The adoption of ASU 2015-11 is not expected to have any impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

In November 2015, the FASB issued Accounting Standards Update 2015-17, *Income Taxes* (“ASU 2015-17”). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those periods, with early adoption permitted. We are currently evaluating the impact of the adoption of this guidance on our financial position and related financial statement disclosures.

There are no other new accounting standards issued, but not yet adopted by us, which are expected to materially impact our financial position, operating results or financial statement disclosures.

Disagreements with Accountants

We did not have any disagreements with our accountants on any accounting matter or financial disclosure made during our fiscal year ended October 31, 2015.

Consolidated Balance Sheets

October 31, 2015 and 2014

Assets	October 31, 2015	October 31, 2014
Current assets:		
Cash	$ 1,083,072	$ 1,089,507
Trade accounts receivable, net of allowance for doubtful accounts of $63,011 in 2015 and $92,988 in 2014	9,189,498	14,076,349
Other receivables	134,428	180,135
Income taxes refundable	360,324	—
Inventories	17,816,080	17,518,119
Prepaid expenses	564,024	578,843
Deferred income taxes - current	—	1,933,653
Total current assets	29,147,426	35,376,606
Property and equipment, net	13,903,919	13,113,445
Intangible assets, net	523,665	438,696
Deferred income taxes - noncurrent	—	320,509
Other assets, net	1,453,808	789,358
Total assets	$ 45,028,818	$ 50,038,614
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 280,999	$ 269,996
Accounts payable and accrued expenses	4,116,927	5,438,519
Accrued compensation and payroll taxes	1,222,728	2,895,100
Income taxes payable	22,498	698,051
Total current liabilities	5,643,152	9,301,666
Note payable to bank	6,000,000	2,500,000
Long-term debt, excluding current installments	6,946,008	7,227,023
Deferred income taxes - noncurrent	—	26,038
Other noncurrent liabilities	551,108	677,597
Total liabilities	19,140,268	19,732,324
Shareholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued and outstanding	—	—
Common stock, no par value, authorized 50,000,000 shares; issued and outstanding 7,059,548 shares in 2015 and 6,839,778 shares in 2014	10,363,012	9,543,686
Retained earnings	16,267,595	21,462,881
Total shareholders' equity attributable to Optical Cable Corporation	26,630,607	31,006,567
Noncontrolling interest	(742,057)	(700,277)
Total shareholders' equity	25,888,550	30,306,290
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 45,028,818	$ 50,038,614

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended October 31, 2015, 2014 and 2013

	Years Ended October 31,		
	2015	2014	2013
Net sales	$ 73,568,738	$ 82,977,732	$ 75,266,038
Cost of goods sold	51,772,851	54,505,370	49,353,746
Gross profit	21,795,887	28,472,362	25,912,292
Selling, general and administrative expenses	24,042,554	26,989,262	24,996,440
Royalty expense, net	124,271	110,193	78,998
Amortization of intangible assets	10,860	40,612	69,733
Income (loss) from operations	(2,381,798)	1,332,295	767,121
Other expense, net:			
Interest expense	(439,921)	(413,731)	(466,601)
Other, net	6,656	(27,984)	(25,210)
Other expense, net	(433,265)	(441,715)	(491,811)
Income (loss) before income taxes	(2,815,063)	890,580	275,310
Income tax expense	1,482,382	267,673	347,788
Net income (loss)	$ (4,297,445)	$ 622,907	$ (72,478)
Net loss attributable to noncontrolling interest	(41,780)	(61,320)	(29,641)
Net income (loss) attributable to Optical Cable Corporation	$ (4,255,665)	$ 684,227	$ (42,837)
Net income (loss) attributable to Optical Cable Corporation per share - basic and diluted	$ (0.69)	$ 0.10	$ (0.01)
Cash dividends declared per common share	$ 0.08	$ 0.08	$ 0.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended October 31, 2015, 2014 and 2013

	Common Stock		Retained Earnings	Total Shareholders' Equity Attributable to OCC	Noncontrolling Interest	Total Shareholders' Equity
	Shares	Amount				
Balances at October 31, 2012	6,411,592	$ 8,024,544	$ 22,619,814	$ 30,644,358	$ (609,316)	$ 30,035,042
Share-based compensation, net	288,642	613,293	—	613,293	—	613,293
Repurchase and retirement of common stock (at cost)	(129,500)	—	(543,420)	(543,420)	—	(543,420)
Common stock dividends declared, $0.08 per share	—	—	(514,319)	(514,319)	—	(514,319)
Excess tax benefits from share-based compensation	—	41,598	—	41,598	—	41,598
Net loss	—	—	(42,837)	(42,837)	(29,641)	(72,478)
Balances at October 31, 2013	6,570,734	8,679,435	21,519,238	30,198,673	(638,957)	29,559,716
Share-based compensation, net	313,508	830,789	—	830,789	—	830,789
Repurchase and retirement of common stock (at cost)	(44,464)	—	(195,206)	(195,206)	—	(195,206)
Common stock dividends declared, $0.08 per share	—	—	(545,378)	(545,378)	—	(545,378)
Excess tax benefits from share-based compensation	—	33,462	—	33,462	—	33,462
Net income	—	—	684,227	684,227	(61,320)	622,907
Balances at October 31, 2014	6,839,778	9,543,686	21,462,881	31,006,567	(700,277)	30,306,290
Share-based compensation, net	300,406	818,807	—	818,807	—	818,807
Repurchase and retirement of common stock (at cost)	(80,636)	—	(379,675)	(379,675)	—	(379,675)
Common stock dividends declared, $0.08 per share	—	—	(559,946)	(559,946)	—	(559,946)
Excess tax benefits from share-based compensation	—	519	—	519	—	519
Net loss	—	—	(4,255,665)	(4,255,665)	(41,780)	(4,297,445)
Balances at October 31, 2015	7,059,548	$ 10,363,012	$ 16,267,595	$ 26,630,607	$ (742,057)	$ 25,888,550

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended October 31, 2015, 2014 and 2013

	Years ended October 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ (4,297,445)	$ 622,907	$ (72,478)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and accretion	2,076,486	2,022,648	2,051,433
Bad debt expense (recovery)	(16,889)	18,915	20,461
Deferred income tax expense (benefit)	2,228,124	(423,524)	998,747
Share-based compensation expense	1,078,563	956,859	971,145
Impact of excess tax benefits from share-based compensation	(519)	(33,462)	(41,598)
Loss on sale of property and equipment	12,059	39,137	12,858
(Increase) decrease in:			
Trade accounts receivable	4,903,740	(4,143,294)	2,628,971
Other receivables	45,707	44,881	(8,804)
Income taxes refundable	(360,324)	590,569	(472,511)
Inventories	(297,961)	716,160	229,740
Prepaid expenses	14,819	(247,702)	153,265
Other assets, net	16,341	—	—
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,698,165)	2,171,801	(800,378)
Accrued compensation and payroll taxes	(1,672,372)	1,597,509	(2,166,861)
Income taxes payable	(675,034)	731,513	18,661
Other noncurrent liabilities	(154,782)	(280,599)	(47,114)
Net cash provided by operating activities	1,202,348	4,384,318	3,475,537
Cash flows from investing activities:			
Purchase of and deposits for the purchase of property and equipment	(3,148,964)	(2,820,183)	(2,983,960)
Investment in intangible assets	(95,829)	(138,501)	(164,584)
Proceeds from sale of property and equipment	500	—	5,000
Net cash used in investing activities	(3,244,293)	(2,958,684)	(3,143,544)
Cash flows from financing activities:			
Payroll taxes remitted on share-based payments	(259,756)	(126,070)	(357,852)
Proceeds from note payable to bank	4,000,000	1,750,000	4,550,000
Principal payments on long-term debt and note payable to bank	(770,012)	(2,008,651)	(3,297,749)
Principal payments on related party loans	—	—	(86,177)
Repurchase of common stock	(379,675)	(195,206)	(543,420)
Impact of excess tax benefits from share-based compensation	519	33,462	41,598
Common stock dividends paid	(555,566)	(539,965)	(479,128)
Net cash provided by (used in) financing activities	2,035,510	(1,086,430)	(172,728)
Net increase (decrease) in cash	(6,435)	339,204	159,265
Cash at beginning of year	1,089,507	750,303	591,038
Cash at end of year	$ 1,083,072	$ 1,089,507	$ 750,303
Supplemental disclosure of cash flow information:			
Cash payment for interest	$ 427,024	$ 394,241	$ 449,134
Income taxes paid (refunded), net	$ 434,206	$ (586,290)	$ (187,548)
Noncash investing and financing activities:			
Capital expenditures accrued in accounts payable at year end	$ 384,818	$ 12,625	$ 19,132
Common stock dividends declared and included in accounts payable and accrued expenses at year end	$ 141,311	$ 136,931	$ 131,518

See accompanying notes to consolidated financial statements.

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

Optical Cable Corporation and its subsidiaries (collectively, the "Company" or "OCC®") is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market, various harsh environment markets and the wireless carrier market, offering integrated suites of high quality products which operate as a system solution or seamlessly integrate with other providers' offerings. The Company's product offerings include cabling and connectivity products designed for uses ranging from enterprise network, datacenter, residential and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical, wireless carrier and broadcast applications.

Founded in 1983, OCC is headquartered in Roanoke, Virginia with offices, manufacturing and warehouse facilities located in Roanoke, Virginia; near Asheville, North Carolina; and near Dallas, Texas.

OCC acquired Superior Modular Products Incorporated, doing business as SMP Data Communications ("SMP Data Communications" or "SMP") on May 30, 2008, and merged SMP with and into OCC on October 31, 2009.

OCC acquired Applied Optical Systems, Inc. ("AOS") on October 31, 2009. AOS is a wholly owned subsidiary of OCC doing business as OCC and Optical Cable Corporation.

OCC owns 70% of the authorized membership interests of Centric Solutions LLC ("Centric Solutions"). Centric Solutions is a business founded in 2008 to provide cabling and connectivity solutions for the datacenter market.

The Company's cabling and connectivity products are used for high bandwidth transmission of data, video and audio communications. The Company's product offering includes products well-suited for use in various other short- to moderate-distance applications as well. The Company's products are sold worldwide. Also see note 11.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Optical Cable Corporation and its wholly owned and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

All of the Company's bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC). As of October 31, 2015 and 2014, the Company had bank deposits in excess of the insured limit totaling $768,222 and $567,547, respectively.

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. As of October 31, 2015 and 2014, the Company had no cash equivalents.

(d) Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not typically bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company reviews outstanding trade accounts receivable at the end of each quarter and records allowances for doubtful accounts as deemed appropriate for (i) certain individual customers and (ii) for all other trade accounts receivable in total. In determining the amount of allowance for doubtful accounts to be recorded for individual customers, the Company considers the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and management’s judgment as to the overall collectibility of the receivable from that customer. In addition, the Company establishes an allowance for all other receivables for which no specific allowances are deemed necessary. This portion of the allowance for doubtful accounts is based on a percentage of total trade accounts receivable with different percentages used based on different age categories of receivables. The percentages used are based on the Company’s historical experience and management’s current judgment regarding the state of the economy and the industry. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(e) Inventories

Inventories are stated at the lower of cost or market, or net realizable value. The determination of cost includes raw materials, direct labor and manufacturing overhead. The cost of optical fibers, included in raw materials, is determined using specific identification for optical fibers. The cost of other raw materials and production supplies is generally determined using the first-in, first-out basis. The cost of work in process and finished goods inventories is determined either as average cost or standard cost, depending upon the product type. A standard cost system is used to estimate the actual costs of inventory for certain product types. Actual costs and production cost levels may vary from the standards established and such variances are charged to cost of goods sold or capitalized to inventory. Also see note 3.

(f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for using both straight-line and declining balance methods over the estimated useful lives of the assets. Estimated useful lives are thirty to thirty-nine years for buildings and three to seven years for building improvements, machinery and equipment and furniture and fixtures. Also see note 4.

(g) Patents and Trademarks

The Company records legal fees associated with patent and trademark applications as intangible assets. Such intangible assets are not amortized until such time that the patent and/or trademark is granted. The Company estimates the useful life of patents and trademarks based on the period over which the intangible asset is expected to contribute directly or indirectly to future cash flows. If patents and/or trademarks are not granted, the capitalized legal fees are expensed during the period in which such notification is received. If the Company decides to abandon a patent or trademark application, the capitalized legal fees are expensed during the period in which the Company’s decision is made.

(h) Revenue Recognition

The Company recognizes revenue when products are shipped or delivered to the customer and the customer takes ownership and assumes risk of loss (based on shipping terms), collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and sales price is fixed or determinable. Customers generally do not have the right of return unless a product is defective or damaged and is within the parameters of the product warranty in effect for the sale.

The Company recognizes royalty income (if any), net of related expenses, on an accrual basis and estimates royalty income earned based on historical experience.

(i) Shipping and Handling Costs

Shipping and handling costs include the costs incurred to physically move finished goods from the Company's warehouse to the customers' designated location. All amounts billed to a customer in a sales transaction related to shipping and handling are classified as sales revenue. Shipping and handling costs of approximately $2.0 million, $2.2 million and $2.2 million are included in selling, general and administrative expenses for the fiscal years ended October 31, 2015, 2014 and 2013, respectively.

(j) Research and Development

Research and development costs are expensed as incurred. Research and development costs totaled approximately $1.3 million, $1.4 million and $1.4 million for the fiscal years ended October 31, 2015, 2014 and 2013, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

(k) Advertising

Advertising costs are expensed as incurred. Advertising costs totaled approximately $451,000, $522,000 and $546,000 for the fiscal years ended October 31, 2015, 2014 and 2013, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense. Also see note 12.

(m) Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. When applicable, assets to be disposed of are reported separately in the consolidated balance sheet at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(n) Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant-date fair value of those awards. Also see note 10.

(o) Net Income (Loss) Per Share

Basic net income (loss) per share excludes dilution and is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. In the case of basic net income per share, the calculation includes common shares outstanding issued as share-based compensation and still subject to vesting requirements. In the case of basic net loss per share, the calculation excludes common shares outstanding issued as share-based compensation and still subject to vesting requirements, as these shares are considered dilutive.

Diluted net income (loss) per share also is calculated by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, and reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income (loss) of the Company. The diluted net income (loss) per share calculation includes all common shares outstanding issued as share-based compensation and still subject to vesting requirements in the calculation of diluted net income, but not in the calculation of diluted net loss. Also see note 14.

(p) Commitments and Contingencies

Liabilities for loss contingencies arising from product warranties and defects, claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Allowance for Doubtful Accounts for Trade Accounts Receivable

A summary of changes in the allowance for doubtful accounts for trade accounts receivable for the years ended October 31, 2015, 2014 and 2013 follows:

	Years ended October 31,		
	2015	2014	2013
Balance at beginning of year	$ 92,988	$ 74,073	$ 92,148
Bad debt expense (recovery)	(16,889)	18,915	20,461
Losses charged to allowance	(13,088)	—	(38,922)
Recoveries added to allowance	—	—	386
Balance at end of year	$ 63,011	$ 92,988	$ 74,073

(3) Inventories

Inventories as of October 31, 2015 and 2014 consist of the following:

	October 31,	
	2015	2014
Finished goods	$ 6,116,989	$ 5,378,114
Work in process	2,918,803	3,210,955
Raw materials	8,514,718	8,663,755
Production supplies	265,570	265,295
Total	$ 17,816,080	$ 17,518,119

(4) Property and Equipment, Net

Property and equipment, net as of October 31, 2015 and 2014 consists of the following:

	October 31,	
	2015	2014
Land	$ 3,144,068	$ 3,144,068
Building and improvements	8,127,015	8,120,110
Machinery and equipment	25,081,678	23,664,060
Furniture and fixtures	909,715	957,032
Construction in progress	1,292,235	493,876
Total property and equipment, at cost	38,554,711	36,379,146
Less accumulated amortization and depreciation	(24,650,792)	(23,265,701)
Property and equipment, net	$ 13,903,919	$ 13,113,445

(5) Intangible Assets

Aggregate amortization expense for amortizing intangible assets was $10,860, $40,612 and $69,733 for the years ended October 31, 2015, 2014 and 2013, respectively. Amortization of intangible assets is calculated using a straight-line method over the estimated useful lives of the intangible assets.

(6) Product Warranties

The Company generally warrants its products against certain manufacturing and other defects in material and workmanship. These product warranties are provided for specific periods of time and are applicable assuming the product has not been subjected to misuse, improper installation, negligent handling or shipping damage. As of October 31, 2015 and 2014, the Company's accrual for estimated product warranty claims totaled $130,000 and $100,000, respectively, and is included in accounts payable and accrued expenses. Warranty claims expense includes the costs to investigate claims and potential claims, and the costs to replace and/or repair product pursuant to claims, which can include claims not deemed valid by the Company. The accrued product warranty costs are based primarily on historical experience of actual warranty claims and costs as well as current information with respect to potential warranty claims and costs. Warranty claims expense for the years ended October 31, 2015, 2014 and 2013 totaled $234,784, $220,525 and $224,969, respectively.

The following table summarizes the changes in the Company's accrual for product warranties during the fiscal years ended October 31, 2015 and 2014:

	Years ended October 31,	
	2015	**2014**
Balance at beginning of year	$ 100,000	$ 190,000
Liabilities accrued for warranties issued during the year	215,802	323,564
Warranty claims paid during the period	(204,784)	(310,525)
Changes in liability for pre-existing warranties during the year	18,982	(103,039)
Balance at end of year	$ 130,000	$ 100,000

(7) Long-term Debt and Note Payable to Bank

The Company has credit facilities consisting of a real estate term loan, as amended (the "Virginia Real Estate Loan"), a supplemental real estate term loan, as amended (the "North Carolina Real Estate Loan") and a revolving credit facility, as amended (the "Commercial Loan").

Both the Virginia Real Estate Loan and the North Carolina Real Estate Loan are with BNC Bancorp, as successor to Valley Bank ("BNC"), have a fixed interest rate of 4.25% and are secured by a first priority lien on all of the Company's personal property and assets, except for the Company's inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper, as well as a first lien deed of trust on the Company's real property.

Long-term debt as of October 31, 2015 and 2014 consists of the following:

	October 31, 2015	October 31, 2014
Virginia Real Estate Loan ($6.5 million original principal) payable in monthly installments of $36,426, including interest (at 4.25%), with final payment of $4,858,220 due April 30, 2018	$ 5,374,777	$ 5,575,586
North Carolina Real Estate Loan ($2.24 million original principal) payable in monthly installments of $12,553, including interest (at 4.25%), with final payment of $1,674,217 due April 30, 2018	1,852,230	1,921,433
Total long-term debt	7,227,007	7,497,019
Less current installments	280,999	269,996
Long-term debt, excluding current installments	$ 6,946,008	$ 7,227,023

The Commercial Loan with SunTrust Bank ("SunTrust") provides the Company with a revolving line of credit for the working capital needs of the Company. Under the terms of the Commercial Loan, the Company may borrow an aggregate principal amount at any one time outstanding not to exceed the lesser of (i) $9.0 million, or (ii) the sum of 85% of certain receivables aged 90 days or less plus 35% of the lesser of $1.0 million or certain foreign receivables plus 25% of certain raw materials inventory.

On May 7, 2015, the Company entered into a commercial note of renewal ("Binding Letter of Renewal") extending the maturity date of the Commercial Loan to August 31, 2017. The Binding Letter of Renewal extends the maturity date of the Commercial Loan. All other terms of the Commercial Loan remain unaltered and remain in full force and effect. Within the revolving loan limit of the Commercial Loan and the Binding Letter of Renewal, the Company may borrow, repay, and reborrow, at any time until August 31, 2017. The Company also entered into an Amended and Restated Security Agreement dated May 7, 2015 which is substantially similar in all material aspects to, and replaces in its entirety, the original Security Agreement dated April 30, 2010.

Advances under the Commercial Loan accrue interest at LIBOR plus 2.2% (resulting in a 2.39% rate at October 31, 2015). Accrued interest on the outstanding principal balance is due on the first day of each month, with all then outstanding principal, interest, fees and costs due at the Commercial Loan maturity date of August 31, 2017.

The Commercial Loan is secured by a first priority lien on all of the Company's inventory, accounts, general intangibles, deposit accounts, instruments, investment property, letter of credit rights, commercial tort claims, documents and chattel paper.

The terms of the Company's credit facilities with both SunTrust and BNC require it to comply, on a quarterly basis, with specific financial covenants including a debt service coverage ratio. The Company is required to maintain a debt service coverage ratio of not less than 1.5 to 1.0. The ratio is calculated by dividing adjusted EBITDA, as defined in the loan agreements, by current maturities of long-term debt plus consolidated interest expense. As of October 31, 2015, the Company had a debt service coverage ratio of 1.08, and therefore, the Company was not in compliance with the debt service coverage ratio covenant under its credit facilities.

Subsequent to its fiscal year end, OCC entered into (i) a Modification of Commercial Note and Agreement to Commercial Note and (ii) a Second Amended and Restated Security Agreement (collectively, the "Commercial Loan Modification") with SunTrust, as of January 25, 2016, and OCC entered into a Seventh Loan Modification Agreement (the "Real Estate Loan Modification") with BNC, dated as of January 25, 2016.

The Commercial Loan Modification and the Real Estate Loan Modification (together, the "Loan Modifications") both provide a waiver of non-compliance of the debt service coverage ratio covenant for both the quarter ended October 31, 2015 and the quarter ending January 31, 2016. Further, the debt service coverage covenant has been modified to an interest coverage covenant, as defined in the Loan Modifications, with a ratio of 1.25 to 1.00 for the quarter ending April 30, 2016, increasing to 1.50 to 1.00 for the quarters ending July 31, 2016 and October 31, 2016.

Pursuant to the Commercial Loan Modification with SunTrust, the Company agreed to an increase in the interest rate on advances under the Commercial Loan from LIBOR plus 2.2% to LIBOR plus 2.75%, effective January 25, 2016, and a covenant waiver fee of $25,000. Additionally, the Commercial Loan Modification limits certain capital expenditures and additional indebtedness, if any, and has placed certain limits on dividend payments and stock repurchases, in each case as defined in the Commercial Loan Modification.

Pursuant to the Real Estate Loan Modification with BNC, OCC agreed to a covenant waiver fee of $10,000. Additionally, the Real Estate Loan Modification has similar limits on capital expenditures, as defined in the Real Estate Loan Modification, to those limits set forth in the Commercial Loan Modification with SunTrust.

As of October 31, 2015 and 2014, respectively, the Company had $6.0 million and $2.5 million of outstanding borrowings on its Commercial Loan and $2.6 million and $6.5 million in available credit.

The aggregate maturities of long-term debt for each of the three years subsequent to October 31, 2015 are: $280,999 in fiscal year 2016, $6,294,214 in fiscal year 2017 and $6,651,794 in fiscal year 2018.

(8) Leases

The Company has an operating lease agreement for approximately 34,000 square feet of office, manufacturing and warehouse space in Plano, Texas (near Dallas). The original lease of approximately 21,000 square feet became effective September 15, 2009 and had an original term of five years. Effective May 19, 2011, the Company extended the term of the lease through November 30, 2016 and agreed to lease approximately 13,000 square feet of additional space adjacent to the existing leased property. The lease term for the additional space became effective September 1, 2011 and has the same termination date, November 30, 2016, as the original leased property. The minimum rent payments, including rent holidays, are recognized on a straight-line basis over the term of the lease.

Centric Solutions entered into an operating lease agreement in August 2008 for approximately 23,000 square feet of office and manufacturing space in Coppell, Texas, with a term of approximately seven years. Optical Cable Corporation is neither a party to nor a guarantor of Centric Solutions' operating lease. The minimum rent payments, including rent holidays, are recognized on a straight-line basis over the term of the lease. On November 30, 2015, subsequent to the Company's fiscal year end, Centric Solutions' operating lease expired, and Centric Solutions is now sharing office and manufacturing space with the Company in Plano, Texas.

The Company entered into an operating lease agreement in April 2015 for approximately 36,000 square feet of warehouse space in Roanoke, Virginia. The lease term is for twelve months and terminates on April 30, 2016. The Company has four (4) one year options to renew the lease. The rent payments are recognized on a straight-line basis over the term of the lease.

The Company's future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of October 31, 2015 (including the last month of Centric Solutions' lease) consist of the following:

Fiscal year	**Operating Lease**
2016	$ 209,103
2017	16,413
Total	$ 225,516

Total rent expense associated with the operating leases for the fiscal years ended October 31, 2015, 2014 and 2013 was $479,937, $425,084 and $385,649, respectively.

(9) Related Party Transactions

During fiscal year 2013, the principal and interest on related party loans, payable to one of the AOS founders and a trust for which the founder is the co-trustee, were repaid in full. Interest on the two related party loans accrued at 6% per annum for one of the loans and at a rate equal to the prime rate plus 4% per annum for the other loan. Total interest expense associated with the related party loans for the fiscal year ended October 31, 2013 was $4,157.

(10) Employee Benefits

Health Insurance Coverage

The Company contracts for health insurance coverage for employees and their dependents through third-party administrators. During the years ended October 31, 2015, 2014 and 2013, total expense of $3,665,320, $3,957,668 and $3,999,078, respectively, was incurred under the Company's insured health care program.

401(k) Plan

The Company maintains a 401(k) retirement savings plan for the benefit of its eligible employees. Substantially all of the Company's employees who meet certain service and age requirements are eligible to participate in the plan. The Company's plan document provides that the Company's matching contributions are discretionary. The Company made or accrued matching contributions to the plan of $145,181, $161,836 and $130,361 for the years ended October 31, 2015, 2014 and 2013, respectively.

Stock Incentives for Key Employees and Non-Employee Directors

Optical Cable Corporation uses stock incentives to increase the personal financial interest that key employees and non-employee Directors have in the future success of the Company, thereby aligning their interests with those of other shareholders and strengthening their desire to remain with the Company.

In March 2015, the Company's shareholders approved the Optical Cable Corporation Second Amended and Restated 2011 Stock Incentive Plan (the "2015 Restatement") that was recommended for approval by the Company's Board of Directors. The 2015 Restatement reserved an additional 550,000 common shares of the Company for issuance under the 2015 Restatement and succeeded and replaced the Optical Cable Corporation Amended and Restated 2011 Stock Incentive Plan and the Optical Cable Corporation 2004 Non-employee Directors Stock Plan. As of October 31, 2015, there were approximately 360,000 remaining shares available for grant under the 2015 Restatement.

Share-based compensation expense for employees, a consultant and non-employee members of the Company's Board of Directors recognized in the consolidated statements of operations for the years ended October 31, 2015, 2014 and 2013 was $1,078,563, $956,859 and $971,145, respectively.

Restricted and Other Stock Awards

The Company has granted, and anticipates granting, from time to time, restricted stock awards to employees subject to approval by the Compensation Committee of the Board of Directors. A portion of the restricted stock awards granted under the 2015 Restatement vest based on the passage of time and the remainder vest over time if certain operational performance-based criteria are met. Failure to meet the criteria required for vesting will result in a portion or all of the shares being forfeited.

The Company recognizes expense on the service-based shares each quarter based on the actual number of shares vested during the quarter multiplied by the closing price of the Company's shares of common stock on the date of grant. The Company recognizes expense on the operational performance-based shares each quarter using an estimate of the shares expected to vest multiplied by the closing price of the Company's shares of common stock on the date of grant.

The Company recorded compensation expense related to its restricted stock awards granted to employees and a consultant totaling $948,190 and $844,754 during the fiscal years ended October 31, 2015 and 2014, respectively. The Company recorded compensation expense related to its restricted stock awards granted to employees totaling $817,657 during the fiscal year ended October 31, 2013.

A summary of the status of the Company's nonvested shares granted to employees under the 2015 Restatement as of October 31, 2015, and changes during the year ended October 31, 2015, is as follows:

Nonvested shares	**Shares**	**Weighted-average grant date fair value**
Balance at October 31, 2014	775,060	$ 3.91
Granted	338,122	4.08
Vested	(266,993)	3.92
Forfeited	(15,372)	3.94
Balance at October 31, 2015	830,817	$ 3.98

As of October 31, 2015, the estimated amount of compensation cost related to unvested equity-based compensation awards in the form of service-based and operational performance-based shares that the Company will recognize over a 3.2 year weighted-average period is approximately $2.9 million.

During the year ended October 31, 2015, stock awards to non-employee Directors under the 2015 Restatement totaling 33,515 were approved by the Board of Directors of the Company. The shares are part of the non-employee Directors' annual compensation for service on the Board of Directors. During the years ended October 31, 2014 and 2013, restricted stock awards under the Optical Cable Corporation 2004 Non-employee Directors Stock Plan totaling 29,424 and 36,632, respectively, were approved by the Board of Directors of the Company. The shares granted under the 2015 Restatement and the Optical Cable Corporation 2004 Non-employee Directors Stock Plan vested immediately upon grant, but could not be sold, transferred, pledged, or otherwise encumbered or disposed of until six months after the date of the grant. The Company recorded compensation expense equal to the number of shares multiplied by the closing price of the Company's shares of common stock on the date of grant. The Company recorded compensation expense totaling $130,373, $112,105 and $153,488 during the years ended October 31, 2015, 2014 and 2013, respectively.

(11) Business and Credit Concentrations, Major Customers and Geographic Information

The Company provides credit, in the normal course of business, to various commercial enterprises, governmental entities and not-for-profit organizations. Concentration of credit risk with respect to trade receivables is limited due to the Company's large number of customers. The Company also manages exposure to credit risk through credit approvals, credit limits and monitoring procedures. Management believes that credit risks as of October 31, 2015 and 2014 have been adequately provided for in the consolidated financial statements.

For the year ended October 31, 2015, 13.6% and 10.8%, or approximately $10.0 million and $8.0 million, of consolidated net sales were attributable to two customers. No other customer accounted for more than 10% of consolidated net sales for the year ended October 31, 2015.

As of October 31, 2015, no single customer had an outstanding balance payable to the Company in excess of 5% of total consolidated shareholders' equity.

For the year ended October 31, 2014, 16.8%, or approximately $14.0 million of consolidated net sales were attributable to one customer. No other customer accounted for more than 10% of consolidated net sales for the year ended October 31, 2014.

As of October 31, 2014, one customer had an outstanding balance payable to the Company totaling 13.9% of total consolidated shareholders' equity. No other customer had an outstanding balance payable to the Company in excess of 5% of total consolidated shareholders' equity.

For the year ended October 31, 2013, no single customer accounted for more than 10% of consolidated net sales.

For the years ended October 31, 2015, 2014 and 2013, approximately 78%, 79% and 70%, respectively, of net sales were from customers in the United States, while approximately 22%, 21% and 30%, respectively, were from customers outside of the United States.

Net sales attributable to the United States and all other countries in total for the years ended October 31, 2015, 2014 and 2013 were as follows:

	Years ended October 31,		
	2015	**2014**	**2013**
United States	$ 57,402,020	$ 65,457,787	$ 52,931,288
Outside the United States	16,166,718	17,519,945	22,334,750
Total net sales	$ 73,568,738	$ 82,977,732	$ 75,266,038

No individual country outside of the United States accounted for more than 10% of total net sales in fiscal years 2015, 2014 or 2013.

The Company has a single reportable segment for purposes of segment reporting, exclusive of Centric Solutions. For the years ended October 31, 2015, 2014 and 2013, Centric Solutions generated revenues, net of intercompany sales, totaling approximately $1.5 million, $1.4 million and $1.5 million, respectively. For the years ended October 31, 2015, 2014 and 2013, Centric Solutions incurred operating losses of approximately $175,000, $256,000 and $124,000, respectively. Total assets of Centric Solutions of approximately $181,000 and $220,000 (net of intercompany amounts) are included in the total consolidated assets of the Company as of October 31, 2015 and 2014, respectively.

(12) Income Taxes

Income tax expense (benefit) for the years ended October 31, 2015, 2014 and 2013 consists of:

Fiscal year ended October 31, 2015	Current	Deferred	Total
U.S. Federal	$ (624,825)	$ 2,098,615	$ 1,473,790
State	(120,917)	129,509	8,592
Totals	$ (745,742)	$ 2,228,124	$ 1,482,382

Fiscal year ended October 31, 2014	Current	Deferred	Total
U.S. Federal	$ 666,517	$ (370,553)	$ 295,964
State	24,680	(52,971)	(28,291)
Totals	$ 691,197	$ (423,524)	$ 267,673

Fiscal year ended October 31, 2013	Current	Deferred	Total
U.S. Federal	$ (640,652)	$ 930,956	$ 290,304
State	(10,307)	67,791	57,484
Totals	$ (650,959)	$ 998,747	$ 347,788

Reported income tax expense for the years ended October 31, 2015, 2014 and 2013 differs from the “expected” tax expense (benefit), computed by applying the U.S. Federal statutory income tax rate of 34% to income before income taxes as follows:

	Years ended October 31,		
	2015	2014	2013
“Expected” tax expense (benefit)	$ (957,121)	$ 302,797	$ 93,605
Increase (reduction) in income tax expense (benefit) resulting from:			
Benefits from domestic manufacturing deduction	—	(61,024)	—
Nondeductible compensation	—	—	93,886
State income taxes, net of federal benefit	(78,880)	(23,031)	39,331
Loss of permanent deductions due to NOL carryback	35,636	—	54,907
Other differences, net	67,491	48,931	66,059
Change in valulation allowance	2,415,256	—	—
Reported income tax expense	$ 1,482,382	$ 267,673	$ 347,788

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and deferred tax liabilities as of October 31, 2015 and 2014 are presented below:

	October 31, 2015	October 31, 2014
Deferred tax assets:		
Accounts receivable, due to allowances for doubtful accounts and sales returns	$ 53,316	$ 87,381
Inventories, due to allowance for damaged and slow-moving inventories and additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	1,118,735	1,127,226
Liabilities recorded for accrued expenses, deductible for tax purposes when paid	65,213	527,806
Share-based compensation expense	131,487	163,928
Investment in Centric Solutions	114,118	125,555
Net operating loss carryforwards	1,437,611	573,926
Other	57,413	75,940
Total gross deferred tax assets	2,977,893	2,681,762
Valuation allowance	(2,415,256)	—
Net deferred tax assets	562,637	2,681,762
Deferred tax liabilities:		
Plant and equipment, due to differences in depreciation and capital gain recognition	(558,222)	(442,870)
Other receivables, due to accrual for financial reporting purposes	(4,415)	(10,768)
Total gross deferred tax liabilities	(562,637)	(453,638)
Net deferred tax asset	$ —	$ 2,228,124

As a result of the acquisition of AOS, the Company recorded certain deferred tax assets totaling $1,517,605 (after purchase accounting adjustments), related to gross net operating loss ("NOL") carryforwards of $4,455,525, estimated to be available after considering Internal Revenue Code Section 382 limitations. As of October 31, 2015, $1,680,000 of these gross NOL carryforwards remain unused and may be used to reduce future taxable income. These gross NOL carryforwards begin to expire in fiscal year ending October 31, 2024.

Additionally, we have federal and state gross NOL carryforwards of $2,690,719 and $703,405, respectively; all of which originated during fiscal year 2015, and will not begin to expire until fiscal year 2030. Included in these carryforwards is $253,486 of excess tax benefits from share-based compensation for which shareholders' equity will be increased when such benefits are realized.

As of October 31, 2015, the Company considered all positive and negative evidence available to assess whether it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. The Company concluded that in accordance with the provisions of Accounting Standards Codification 740, *Income Taxes*, the negative evidence outweighed the objectively verifiable positive evidence. As a result, the Company established a valuation reserve of $2,415,256 against net deferred tax assets existing as of October 31, 2015.

The Company estimates a liability for uncertain tax positions taken or expected to be taken in a tax return. The liability for uncertain tax positions is included in other noncurrent liabilities on the accompanying consolidated balance sheets.

A reconciliation of the unrecognized tax benefits for fiscal years 2015 and 2014 follows:

	October 31,	
	2015	2014
Unrecognized tax benefits balance at beginning of year	$ 168,756	$ 198,307
Gross decreases for tax positions of prior years	(88,050)	(41,853)
Gross increases for current year tax positions	—	12,302
Settlements with taxing authorities	(1,384)	—
Unrecognized tax benefits balance at end of year	$ 79,322	$ 168,756

During fiscal year 2015, the Company reduced accrued interest and penalties by $35,873 and $19,283, respectively, related to unrecognized tax benefits. During fiscal year 2014, the Company reduced interest and penalties by $4,647 and $10,400, respectively, related to unrecognized tax benefits. As of October 31, 2015 and 2014, the Company had approximately $38,553 and $93,709, respectively, of accrued interest and penalties related to uncertain tax positions. The total amount of unrecognized tax benefits that would affect the Company's effective tax rate if recognized is $45,987 and $92,817 as of October 31, 2015 and 2014, respectively. The Company does not expect its unrecognized tax benefits to change significantly in the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. The statute of limitations remains open for U.S. and certain state income tax examinations for years ended October 31, 2012 through October 31, 2014.

(13) Fair Value Measurements

The carrying amounts reported in the consolidated balance sheets for cash, trade accounts receivable, other receivables, and accounts payable and accrued expenses, including accrued compensation and payroll taxes approximate fair value because of the short maturity of these instruments. The carrying values of the Company's note payable to bank and long-term debt approximate fair value based on similar long-term debt issues available to the Company as of October 31, 2015 and 2014. Fair value is defined as the amount 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 Company uses a fair value hierarchy that prioritizes the inputs for valuation methods used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are observable inputs for the asset or liability.

The Company utilizes the best available information in measuring fair value.

(14) Net Income (Loss) Per Share

The following is a reconciliation of the numerators and denominators of the net income (loss) per share computations for the periods presented:

	Years ended October 31,		
	2015	2014	2013
Net income (loss) attributable to OCC (numerator)	$ (4,255,665)	$ 684,227	$ (42,837)
Shares (denominator)	6,201,478	6,764,263	5,784,545
Basic and diluted net income (loss) per share	$ (0.69)	$ 0.10	$ (0.01)

Unvested shares as of October 31, 2015 and October 31, 2013 totaling 750,120 and 594,518, respectively, were not included in the computation of basic and diluted net loss per share for the years ended October 31, 2015 and October 31, 2013 (because to include such shares would have been antidilutive, or in other words, to do so would have reduced the net loss per share for that period).

(15) Shareholders' Equity

Share Repurchases

The Company, through plans approved by its Board of Directors, has repurchased and retired certain of its outstanding common stock. The following is a summary of the Company's repurchase of shares and the costs associated with the repurchases, including brokerage and legal fees, for the periods presented.

Fiscal years ended October 31,	Shares repurchased	Cost
2015	80,636	$ 379,675
2014	44,464	195,206
2013	129,500	543,420

After the Company's purchase and retirement of the shares of its common stock as set forth in the table above, the Company had 7,059,548 shares of its common stock issued and outstanding at October 31, 2015.

The Company has a plan, approved by its Board of Directors on July 14, 2015, to purchase and retire up to 400,000 shares of the Company's common stock, or approximately 6.0% of the shares then outstanding. The Company anticipates that the purchases will be made over a 24- to 36-month period, but there is no definite time period for repurchase. As of October 31, 2015, the Company had 398,400 shares of its outstanding common stock remaining to purchase under this plan.

Stockholder Protection Rights Agreement

On October 28, 2011, the Board of Directors of the Company adopted a Stockholder Protection Rights Agreement (the "Rights Agreement") and declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of Common Stock, no par value, of the Company ("Common Shares"), held of record at the close of business on November 2, 2011, or issued thereafter and prior to the Separation Time as defined in the Rights Agreement. Under the terms of the Rights Agreement, if a person or group who is deemed an Acquiring Person as defined in the Rights Agreement acquires 15% (or other applicable percentage, as provided in the Rights Agreement) or more of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of common stock having a market value of twice such price. In addition, if the Company is acquired in a merger or other business transaction after a person or group who is deemed an Acquiring Person has acquired such percentage of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price.

Upon the occurrence of certain events, each Right will entitle its holder to purchase from the Company one one-thousandth of a Series A Participating Preferred Share (“Preferred Share”), no par value, at an exercise price of $25, subject to adjustment. Each Preferred Share will entitle its holder to 1,000 votes and will have an aggregate dividend rate of 1,000 times the amount, if any, paid to holders of common stock. The Rights will expire on November 2, 2021, unless the Rights are earlier redeemed or exchanged by the Company for $0.0001 per Right. The adoption of the Rights Agreement has no impact on the financial position or results of operations of the Company.

The Company has reserved 100,000 shares of its authorized preferred stock for issuance upon exercise of the Rights.

Dividends

The Company initiated a quarterly cash dividend of $0.01 per share on its common stock in October 2010. In January 2012, the quarterly cash dividend was increased to $0.015 per share and in December 2012, the quarterly cash dividend was increased to $0.02 per share.

(16) Contingencies

From time to time, the Company is involved in various claims, legal actions and regulatory reviews arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

(17) New Accounting Standards Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model that expands disclosure requirements and requires an entity to recognize revenue when promised goods or services are transferred to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (“ASU 2015-14”) which defers the effective date of the new revenue recognition standard by one year. Under ASU 2015-14, the new revenue recognition standard is effective for the Company beginning in fiscal year 2019. The Company is currently evaluating the impact of the adoption of this guidance on the Company's results of operations, financial position and liquidity and its related financial statement disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. In August 2015, the FASB issued Accounting Standards Update 2015-15, I*nterest - Imputed Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (“ASU 2015-15”) which clarifies that entities may continue to defer and present debt issuance costs associated with a line-of-credit as an asset and subsequently amortize the deferred costs ratably over the term of the arrangement. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The new guidance must be applied retrospectively to all prior reporting periods presented. The adoption of ASUs 2015-03 and 2015-15 are not expected to have a material impact on the Company’s results of operations, financial position or liquidity or its related financial statement disclosures.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 changes the inventory valuation method from lower of cost or market to lower of cost and net realizable value for inventory valued using first-in, first-out or average cost. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU-2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be applied prospectively with early adoption permitted. The adoption of ASU 2015-11 is not expected to have any impact on the Company’s results of operations, financial position or liquidity or its related financial statement disclosures.

In November 2015, the FASB issued Accounting Standards Update 2015-17, *Income Taxes* (“ASU 2015-17”). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those periods, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its financial position and related financial statement disclosures.

There are no other new accounting standards issued, but not yet adopted by the Company, which are expected to materially impact the Company’s financial position, operating results or financial statement disclosures.

(18) Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended October 31, 2015 and 2014:

	Quarter ended			
Fiscal year ended October 31, 2015	**January 31**	**April 30**	**July 31**	**October 31**
Net sales	$ 17,358,844	$ 18,676,107	$ 20,781,340	$ 16,752,447
Gross profit	5,385,391	5,669,311	5,708,843	5,032,342
Loss before income taxes	(497,621)	(938,546)	(516,247)	(862,649)
Net loss attributable to Optical Cable Corporation	(228,183)	(490,144)	(572,572)	(2,964,766)
Basic and diluted net loss per share attributable to Optical Cable Corporation	$ (0.04)	$ (0.08)	$ (0.09)	$ (0.48)
Cash dividends declared per common share	$ 0.02	$ 0.02	$ 0.02	$ 0.02

	Quarter ended			
Fiscal year ended October 31, 2014	**January 31**	**April 30**	**July 31**	**October 31**
Net sales	$ 16,534,930	$ 20,190,729	$ 21,004,130	$ 25,247,943
Gross profit	5,407,662	6,659,915	7,338,478	9,066,307
Income (loss) before income taxes	(767,473)	(312,583)	432,978	1,537,658
Net income (loss) attributable to Optical Cable Corporation	(412,136)	(143,277)	292,484	947,156
Basic and diluted net income (loss) per share attributable to Optical Cable Corporation	$ (0.07)	$ (0.02)	$ 0.04	$ 0.14
Cash dividends declared per common share	$ 0.02	$ 0.02	$ 0.02	$ 0.02

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Optical Cable Corporation:

We have audited the accompanying consolidated balance sheets of Optical Cable Corporation and subsidiaries as of October 31, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Optical Cable Corporation and subsidiaries as of October 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/KPMG LLP

Roanoke, Virginia
January 28, 2016

Corporate Information

Corporate Headquarters
Optical Cable Corporation (OCC)
5290 Concourse Drive
Roanoke, VA 24019

Primary Legal Counsel
Woods Rogers PLC
10 South Jefferson Street
Suite 1400
Roanoke, VA 24011

Independent Registered Public Accounting Firm
KPMG LLP
10 South Jefferson Street
Suite 1010
Roanoke, VA 24011

Transfer Agent
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219

Form 10-K Report
Shareholders may obtain, without charge, a copy of Optical Cable Corporation's Form 10-K, including exhibits, as filed with the Securities and Exchange Commission. Write to Optical Cable Corporation, P.O. Box 11967, Roanoke, VA 24022-1967, attention Ms. Tracy G. Smith, Corporate Secretary. Additionally, our SEC filings are available to the public on the SEC Internet site (http://www.sec.gov).

Annual Meeting
The 2016 annual meeting of shareholders will be held at 10:00 a.m. on Tuesday, March 29, 2016, at the Green Ridge Recreation Center, 7415 Wood Haven Road, Roanoke, Virginia.

Corporate Information
(Continued)

Common Stock and Dividend Data

Our common stock is traded on the Nasdaq Global Market under the symbol OCC. According to the records of our transfer agent, the Company had approximately 400 shareholders of record as of January 20, 2016. Additionally, there are approximately 1,200 beneficial owners as of January 20, 2016. On January 20, 2016, our common stock closed at a price of $2.74 per share.

Employees of the Company and members of the Board of Directors owned at least 36.6% of the shares outstanding as of October 31, 2015, including shares still subject to potential forfeiture based on vesting requirements.

The following table sets forth for the fiscal periods indicated the high and low bid prices of our common stock, as reported on the Nasdaq Global Market, during the two most recent fiscal years:

	Range of Bid Prices	
Fiscal year ended October 31, 2015	**High**	**Low**
Fourth Quarter	$ 3.72	$ 3.04
Third Quarter	$ 4.13	$ 3.28
Second Quarter	$ 5.48	$ 3.86
First Quarter	$ 5.56	$ 4.05

	Range of Bid Prices	
Fiscal year ended October 31, 2014	**High**	**Low**
Fourth Quarter	$ 4.98	$ 3.98
Third Quarter	$ 4.35	$ 3.62
Second Quarter	$ 3.98	$ 3.61
First Quarter	$ 4.07	$ 3.59

Dividend Declaration

In October 2010, the Board of Directors authorized the initiation of a quarterly cash dividend and declared a cash dividend on our common stock of $0.01 per share. In fiscal year 2011, we declared dividends of $0.01 per share on a quarterly basis. In fiscal year 2012, the dividend rate was increased to $0.015 per share and we declared dividends at the increased rate on a quarterly basis. In fiscal year 2013, the dividend rate was increased to $0.02 per share and we declared dividends at the increased rate on a quarterly basis for fiscal years 2013, 2014 and 2015. The payment of future dividends, if any, and the amount of future dividends is at the discretion of our Board of Directors and may change at any time. The declaration and payment of any future dividends by the Company is dependent on the consideration of various relevant factors by the Board of Directors, including, but not limited to, recent and future earnings, cash flow and financial condition, future investment opportunities, and/or other relevant factors.

Corporate Information
(Continued)

Executive Officers of Optical Cable Corporation

Neil D. Wilkin, Jr.	Chairman of the Board, President and Chief Executive Officer
Tracy G. Smith	Senior Vice President, Chief Financial Officer and Corporate Secretary

Board of Directors of Optical Cable Corporation

Neil D. Wilkin, Jr., Chairman	Chairman of the Board, President and Chief Executive Officer Optical Cable Corporation
Randall H. Frazier	President and Founder R. Frazier, Incorporated
John M. Holland	President and Founder Holland Technical Services
Craig H. Weber	Chief Executive Officer Home Care Delivered, Inc.
John B. Williamson, III	Chairman of the Board RGC Resources, Inc. and Roanoke Gas Company

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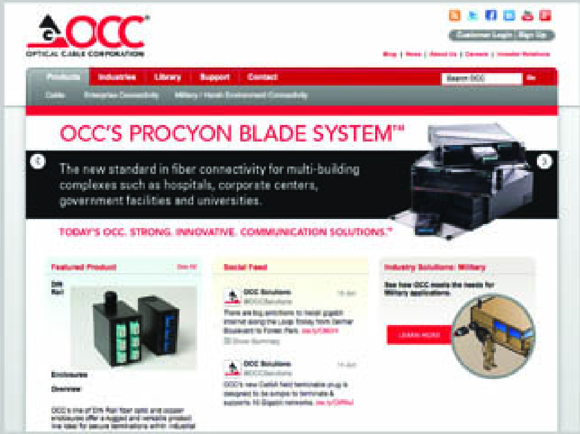

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CORPORATE HEADQUARTERS
5290 Concourse Drive | Roanoke, VA 24019 | USA
Phone: +1-540-265-0690 | 800-622-7711
Fax: +1-540-265-0724

Exhibit 21.1

LIST OF SUBSIDIARIES

Applied Optical Systems, Inc., incorporated in the State of Delaware.

Centric Solutions LLC, organized in the State of Delaware.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Optical Cable Corporation:

We consent to the incorporation by reference in Registration Statement Nos. 333-09433, 333-115575, 333-128163, 333-174917, 333-189277, and 333-203129 on Forms S-8 and Registration Statement No. 333-103108 on Form S-3 of Optical Cable Corporation of our report dated January 28, 2016, with respect to the consolidated balance sheets of Optical Cable Corporation and subsidiaries as of October 31, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2015, which report is incorporated by reference in the October 31, 2015 Annual Report on Form 10-K of Optical Cable Corporation.

/s/ KPMG LLP

Roanoke, Virginia
January 28, 2016

Exhibit 31.1

CERTIFICATION

I, Neil D. Wilkin, Jr., certify that:

1. I have reviewed this report on Form 10-K of Optical Cable Corporation;

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 independent registered public accounting firm 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: January 28, 2016

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.
Chairman of the Board of Directors,
President and Chief Executive Officer
Optical Cable Corporation

Exhibit 31.2

CERTIFICATION

I, Tracy G. Smith, certify that:

1. I have reviewed this report on Form 10-K of Optical Cable Corporation;

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 independent registered public accounting firm 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: January 28, 2016

/s/ Tracy G. Smith

Tracy G. Smith
Senior Vice President and Chief Financial Officer
Optical Cable Corporation

Exhibit 32.1

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 of Optical Cable Corporation (the "Company") on Form 10-K for the year ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company as of October 31, 2015, and for the period then ended.

/s/ Neil D. Wilkin, Jr.

Neil D. Wilkin, Jr.
Chairman of the Board of Directors,
President and Chief Executive Officer

January 28, 2016

Exhibit 32.2

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 of Optical Cable Corporation (the “Company”) on Form 10-K for the year ended October 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and (2) the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company as of October 31, 2015, and for the period then ended.

/s/ Tracy G. Smith

Tracy G. Smith
Senior Vice President and
Chief Financial Officer

January 28, 2016