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

FORM 10-Q

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

For the quarterly period ended April 30, 2024

OR

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

For the transition period from _____________ to ______________

Commission file number 0-27022

OPTICAL CABLE CORPORATION
(Exact name of 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, Virginia 24019
(Address of principal executive offices, including zip code)

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

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

Title of Each Class	Trading Symbol	Name of exchange on which registered
Common Stock, no par value	OCC	Nasdaq Global Market

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

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

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☒ Emerging Growth Company ☐

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

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

As of June 4, 2024, 7,892,475 shares of the registrant's Common Stock, no par value, were outstanding.

OPTICAL CABLE CORPORATION

Form 10-Q Index

Six Months Ended April 30, 2024

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

OPTICAL CABLE CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

	April 30, 2024	October 31, 2023
Assets		
Current assets:		
Cash	$ 1,089,912	$ 1,468,709
Trade accounts receivable, net of allowance for credit losses of $54,261 at April 30, 2024 and $71,189 at October 31, 2023	8,297,895	8,727,810
Income taxes refundable - current	81,844	81,844
Other receivables	13,228	397,758
Inventories	21,486,376	23,766,326
Prepaid expenses and other assets	483,909	595,469
Total current assets	31,453,164	35,037,916
Property and equipment, net	7,079,322	7,139,616
Intangible assets, net	539,168	566,197
Other assets, net	813,250	1,135,172
Total assets	$ 39,884,904	$ 43,878,901
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 55,445	$ 52,624
Accounts payable and accrued expenses	5,396,473	5,843,044
Accrued compensation and payroll taxes	1,647,773	1,849,780
Income taxes payable	34,777	22,754
Total current liabilities	7,134,468	7,768,202
Note payable, revolver - noncurrent	8,046,853	8,324,397
Long-term debt, excluding current installments	2,599,030	2,622,620
Other noncurrent liabilities	266,198	441,838
Total liabilities	18,046,549	19,157,057
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 7,852,515 shares at April 30, 2024 and 7,893,681 shares at October 31, 2023	15,277,264	15,134,133
Retained earnings	6,561,091	9,587,711
Total shareholders' equity	21,838,355	24,721,844
Commitments and contingencies		
Total liabilities and shareholders' equity	$ 39,884,904	$ 43,878,901

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 16,112,098	$ 19,619,536	$ 30,966,863	$ 37,903,211
Cost of goods sold	12,073,462	12,836,830	23,214,705	24,599,296
Gross profit	4,038,636	6,782,706	7,752,158	13,303,915
Selling, general and administrative expenses	5,319,580	5,662,339	10,412,685	11,117,805
Royalty expense, net	6,677	6,572	13,263	13,158
Amortization of intangible assets	13,516	13,689	27,032	26,910
Income (loss) from operations	(1,301,137)	1,100,106	(2,700,822)	2,146,042
Other income (expense), net:				
Interest expense, net	(280,618)	(286,065)	(579,228)	(556,688)
Gain on insurance proceeds, net	—	1,696,290	218,902	1,696,290
Other, net	(12,364)	(12,311)	48,834	54,824
Other income (expense), net	(292,982)	1,397,914	(311,492)	1,194,426
Income (loss) before income taxes	(1,594,119)	2,498,020	(3,012,314)	3,340,468
Income tax expense	7,227	74,933	14,306	107,397
Net income (loss)	$ (1,601,346)	$ 2,423,087	$ (3,026,620)	$ 3,233,071
Net income (loss) per share: Basic and diluted	$ (0.21)	$ 0.31	$ (0.39)	$ 0.41

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Consolidated Statements of Shareholders’ Equity
(Unaudited)

	Six Months Ended April 30, 2024			
	Common Stock		Retained Earnings	Total Shareholders’ Equity
	Shares	Amount		
Balances at October 31, 2023	7,893,681	$ 15,134,133	$ 9,587,711	$ 24,721,844
Share-based compensation, net	(40,324)	51,490	—	51,490
Net loss	—	—	(1,425,274)	(1,425,274)
Balances at January 31, 2024	7,853,357	$ 15,185,623	$ 8,162,437	$ 23,348,060
Share-based compensation, net	(842)	91,641	—	91,641
Net loss	—	—	(1,601,346)	(1,601,346)
Balances at April 30, 2024	7,852,515	$ 15,277,264	$ 6,561,091	$ 21,838,355

	Six Months Ended April 30, 2023			
	Common Stock		Retained Earnings	Total Shareholders’ Equity
	Shares	Amount		
Balances at October 31, 2022	7,893,194	$ 14,638,505	$ 7,521,213	$ 22,159,718
Share-based compensation, net	(24,626)	34,322	—	34,322
Net income	—	—	809,984	809,984
Balances at January 31, 2023	7,868,568	$ 14,672,827	$ 8,331,197	$ 23,004,024
Share-based compensation, net	(3,447)	139,507	—	139,507
Net income	—	—	2,423,087	2,423,087
Balances at April 30, 2023	7,865,121	$ 14,812,334	$ 10,754,284	$ 25,566,618

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended April 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ (3,026,620)	$ 3,233,071
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	431,414	496,661
Bad debt expense (recovery)	(16,928)	14,959
Share-based compensation expense	250,792	289,680
Gain on insurance proceeds, net	(218,902)	(1,696,290)
Loss on disposal of property and equipment	796	10,307
(Increase) decrease in:		
Trade accounts receivable	446,843	(357,932)
Other receivables	384,530	(35,867)
Inventories	2,279,950	(3,661,198)
Prepaid expenses and other assets	111,560	80,602
Other assets	201,924	(103,560)
Increase (decrease) in:		
Accounts payable and accrued expenses	(436,535)	(102,154)
Accrued compensation and payroll taxes	(202,007)	218,168
Income taxes payable	12,023	55,329
Other noncurrent liabilities	(106,235)	65,078
Net cash provided by (used in) operating activities	112,605	(1,493,146)
Cash flows from investing activities:		
Purchase of and deposits for the purchase of property and equipment	(235,823)	(230,252)
Insurance proceeds, net	218,902	1,696,290
Investment in intangible assets	—	(1,997)
Net cash provided by (used in) investing activities	(16,921)	1,464,041
Cash flows from financing activities:		
Payroll taxes withheld and remitted on share-based payments	(107,661)	(115,851)
Proceeds from note payable, revolver	31,812,257	41,292,679
Payments on note payable, revolver	(32,089,800)	(39,285,532)
Principal payments on long-term debt	(20,770)	(167,596)
Payments for financing costs	(50,000)	(50,000)
Principal payments on finance lease	(18,507)	(17,652)
Net cash provided by (used in) financing activities	(474,481)	1,656,048
Net increase (decrease) in cash	(378,797)	1,626,943
Cash at beginning of period	1,468,709	215,936
Cash at end of period	$ 1,089,912	$ 1,842,879

See accompanying condensed notes to condensed consolidated financial statements.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Six Months Ended April 30, 2024
(Unaudited)

(1) General

The accompanying unaudited condensed consolidated financial statements of Optical Cable Corporation and its subsidiaries (collectively, the "Company" or "OCC®") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended April 30, 2024 are not necessarily indicative of the results for the fiscal year ending October 31, 2024 because the following items, among other things, may impact those results: changing macroeconomic conditions in various markets, supply chain and labor constraints impacting production volumes, any increased costs related to government and private industry mandates in the areas of the world in which we operate, changes in market conditions, seasonality, inflation and interest rates, changes in technology, competitive conditions, timing of certain projects and purchases by key customers, significant variations in sales resulting from high volatility and timing of large sales orders among a limited number of customers in certain markets, ability of management to execute its business plans, continued ability to maintain and/or secure future debt and/or equity financing to adequately finance ongoing operations; as well as other variables, uncertainties, contingencies and risks set forth as risks in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2023 (including those set forth in the "Forward-Looking Information" section), or as otherwise set forth in other filings by the Company as variables, contingencies and/or risks possibly affecting future results. The unaudited condensed consolidated financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

(2) Stock Incentive Plan and Other Share-Based Compensation

As of April 30, 2024, there were approximately 397,000 remaining shares available for grant under the Optical Cable Corporation Stock Incentive Plan ("2017 Plan").

Share-based compensation expense for employees, a consultant and non-employee Directors recognized in the condensed consolidated statements of operations for the three months and six months ended April 30, 2024 was $91,641 and $250,792, respectively. Share-based compensation expense for employees, a consultant and non-employee Directors recognized in the condensed consolidated statements of operations for the three months and six months ended April 30, 2023 was $154,639 and $289,680, respectively. Share-based compensation expense is entirely related to expense recognized in connection with the vesting of restricted stock awards or other stock awards.

Stock Compensation

The Company has granted, and anticipates granting from time to time, restricted stock awards subject to approval by the Compensation Committee of the Board of Directors. Since fiscal year 2004, the Company has exclusively used restricted stock awards for all share-based compensation of employees and consultants, and restricted stock awards or stock awards to non-employee members of the Board of Directors.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Six Months Ended April 30, 2024
(Unaudited)

Restricted stock award activity during the six months ended April 30, 2024 consisted of restricted shares forfeited totaling 842 shares and restricted shares withheld for taxes in connection with the vesting of restricted shares totaling 40,324 shares. OCC restricted stock grants provide the participant with the option to surrender shares to pay for withholding tax obligations resulting from any vesting restricted shares, or to pay cash to the Company or taxing authorities in the amount of the withholding taxes owed on the value of any vesting restricted shares in order to avoid surrendering shares.

As of April 30, 2024, 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 1 year weighted-average period is approximately $262,000.

On May 17, 2024, subsequent to the Company's fiscal quarter end, the Company granted restricted stock awards totaling 39,960 shares to non-employee Directors under the 2017 Plan. The shares are subject to a one-year vesting period and are part of the non-employee Directors' annual compensation for service on the Board of Directors.

(3) Allowance for Credit Losses for Trade Accounts Receivable

A summary of changes in the allowance for credit losses for trade accounts receivable for the six months ended April 30, 2024 and 2023 follows:

	Six Months Ended April 30, 2024	Six Months Ended April 30, 2023
Balance at beginning of period	$ 71,189	$ 69,643
Bad debt expense (recovery)	(16,928)	14,959
Balance at end of period	$ 54,261	$ 84,602

(4) Inventories

Inventories as of April 30, 2024 and October 31, 2023 consist of the following:

	April 30, 2024	October 31, 2023
Finished goods	$ 5,646,852	$ 5,937,682
Work in process	4,103,938	4,372,913
Raw materials	11,345,172	13,130,478
Production supplies	390,414	325,253
Total	$ 21,486,376	$ 23,766,326

(5) Product Warranties

As of April 30, 2024 and October 31, 2023, the Company's accrual for estimated product warranty claims totaled $75,000 and $80,000, respectively, and is included in accounts payable and accrued expenses. Warranty claims expense for the three months and six months ended April 30, 2024 totaled $39,078 and $44,266, respectively. Warranty claims expense for the three months and six months ended April 30, 2023 totaled $13,078 and $29,652, respectively.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Six Months Ended April 30, 2024
(Unaudited)

The following table summarizes the changes in the Company’s accrual for product warranties during the six months ended April 30, 2024 and 2023:

	Six Months Ended April 30, 2024	
	2024	**2023**
Balance at beginning of period	$ 80,000	$ 75,000
Liabilities accrued for warranties issued during the period	65,766	59,149
Warranty claims and costs paid during the period	(49,266)	(39,652)
Changes in liability for pre-existing warranties during the period	(21,500)	(29,497)
Balance at end of period	$ 75,000	$ 65,000

(6) Long-term Debt and Notes Payable

The Company has credit facilities consisting of a real estate term loan, as amended and restated (the “Virginia Real Estate Loan”), and a Revolving Credit Master Promissory Note and related Loan and Security Agreement (collectively, the “Revolver”).

The Virginia Real Estate Loan is with Northeast Bank and is payable in monthly installments of principal and interest. Principal is calculated using the unpaid balance of the loan and a two hundred forty (240) month amortization schedule. Interest is computed on the aggregate principal balance outstanding at a rate equal to the Prime Rate, adjusted monthly on the fifth day of each calendar month in accordance with changes to the Prime Rate, provided, however, that the interest rate is never less than 8.5% per annum on the basis of a 360-day year times the actual number of days elapsed. The Prime Rate was 8.5% per annum at April 30, 2024 and October 31, 2023. The maturity date of the Virginia Real Estate Loan is May 5, 2026.

The Loan remains generally secured by a first lien deed of trust on the land and buildings at the Company’s headquarters and manufacturing facilities located in Roanoke, Virginia. All other terms of the Virginia Real Estate Loan remain unaltered and remain in full force and effect.

The Company had an outstanding balance on its Virginia Real Estate Loan of $2.7 million, as of April 30, 2024 and October 31, 2023.

The Revolver with North Mill Capital LLC (now doing business as SLR Business Credit, “SLR”) provides the Company with one or more advances in an amount up to: (a) 85% of the aggregate outstanding amount of eligible accounts (the “eligible accounts loan value”); plus (b) the lowest of (i) an amount up to 35% of the aggregate value of eligible inventory, (ii) $5,000,000, and (iii) an amount not to exceed 100% of the then outstanding eligible accounts loan value; minus (c) $1,150,000.

The maximum aggregate principal amount subject to the Revolver is $18,000,000. Interest accrues on the daily balance at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% (the “Applicable Rate”). As a result, the Revolver accrued interest at a 10.0% rate at April 30, 2024 and October 31, 2023. In the event of a default, interest may become 6.0% above the Applicable Rate. The termination date of the Revolver is July 24, 2025 and the loan may be extended in one year periods subject to the agreement of SLR.

The Revolver is secured by all of the following assets: properties, rights and interests in property of the Company whether now owned or existing, or hereafter acquired or arising, and wherever located; all accounts, equipment, commercial tort claims, general intangibles, chattel paper, inventory, negotiable collateral, investment property, financial assets, letter-of-credit rights, supporting obligations, deposit accounts, money or assets of the Company, which hereafter come into the possession, custody, or control of SLR; all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing; any and all tangible or intangible property resulting from the sale, lease, license or other disposition of any of the foregoing, or any portion thereof or interest therein, and all proceeds thereof; and any other assets of the Company which may be subject to a lien in favor of SLR as security for the obligations under the Loan Agreement.

As of April 30, 2024, the Company had $8.0 million of outstanding borrowings on its Revolver and $2.0 million in available credit. As of October 31, 2023, the Company had $8.3 million of outstanding borrowings on its Revolver and $2.6 million in available credit.

(7) 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 lease term expires on November 30, 2024.

The Company has an operating lease agreement for approximately 36,000 square feet of warehouse space in Roanoke, Virginia. During the first quarter of fiscal year 2023, the lease term was extended for an additional three years. The new expiration date is April 30, 2026.

The Company also leases certain office equipment under operating leases with initial 60 month terms. The lease terms expire in February and April of 2025.

OCC leases printers that are used in the Roanoke, Virginia manufacturing facility. The lease term expires on August 22, 2026. The right-of-use asset is being amortized on a straight line basis over seven years. When the lease term ends, the remaining net book value of the right-of-use asset will be classified as property and equipment.

The Company’s lease contracts may include options to extend or terminate the leases. The Company exercises judgment to determine the term of those leases when such options are present and include such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

The Company includes contract lease components in its determination of lease payments, while non-lease components of the contracts, such as taxes, insurance, and common area maintenance, are expensed as incurred. At commencement, right-of-use assets and lease liabilities are measured at the present value of future lease payments over the lease term. The Company uses its incremental borrowing rate based on information available at the time of lease commencement to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Short term leases with an initial term of 12 months or less are expensed as incurred. The Company’s short term leases have month-to-month terms.

Operating lease right-of-use assets of $407,796 and $596,578 were included in other assets at April 30, 2024 and October 31, 2023, respectively. Operating lease liabilities of $318,225 and $121,294, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities, at April 30, 2024. Operating lease liabilities of $414,159 and $227,925, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at October 31, 2023. Operating lease expense recognized during the three months and six months ended April 30, 2024 totaled $109,144 and $218,288, respectively. Operating lease expense recognized during the three months and six months ended April 30, 2023 totaled $109,144 and $212,477, respectively.

The weighted average remaining lease term was 16.5 months and the weighted average discount rate was 7.6% as of April 30, 2024.

For the three months ended April 30, 2024 and 2023, cash paid for operating lease liabilities totaled $111,770 and $109,151, respectively. For the three months ended April 30, 2024 and 2023, there were no right-of-use assets obtained in exchange for new operating lease liabilities.

Finance lease right-of-use assets of $126,593 and $141,342 were included in other assets at April 30, 2024 and October 31, 2023, respectively. Finance lease liabilities of $38,357 and $74,046, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at April 30, 2024. Finance lease liabilities of $37,459 and $93,451, respectively, were included in accounts payable and accrued expenses, and other noncurrent liabilities at October 31, 2023. Interest expense related to the finance lease totaled $1,409 and $2,927, respectively, for the three months and six months ended April 30, 2024. Interest expense related to the finance lease totaled $1,840 and $3,784, respectively, for the three months and six months ended April 30, 2023. For the three months ended April 30, 2024 and 2023, amortization expense related to the finance lease totaled $7,374. For the six months ended April 30, 2024 and 2023, amortization expense related to the finance lease totaled $14,749.

The remaining lease term for the finance lease is 28 months and the discount rate is 4.75% as of April 30, 2024.

For the three months ended April 30, 2024, cash paid for the finance lease liability totaled $1,409 for interest and $9,309 for principal. For the six months ended April 30, 2024, cash paid for the finance lease liability totaled $2,927 for interest and $18,507 for principal.

For the three months ended April 30, 2023, cash paid for the finance lease liability totaled $1,840 for interest and $8,878 for principal. For the six months ended April 30, 2023, cash paid for the finance lease liability totaled $3,784 for interest and $17,652 for principal.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Six Months Ended April 30, 2024
(Unaudited)

The Company's future payments due under leases reconciled to the lease liabilities are as follows:

Fiscal Year	Operating leases	Finance lease
2024 (1)	$ 225,340	$ 21,434
2025	177,997	42,868
2026	63,644	55,714
Total undiscounted lease payments	466,981	120,016
Present value discount	(27,462)	(7,613)
Total lease liability	$ 439,519	$ 112,403

(1) Remaining six months of fiscal year 2024.

(8) Fair Value Measurements

The carrying amounts reported in the condensed consolidated balance sheets as of April 30, 2024 and October 31, 2023 for cash, trade accounts receivable, income taxes refundable – current, other receivables, current installments of long-term debt, accounts payable and accrued expenses, accrued compensation and payroll taxes, and income taxes payable approximate fair value because of the short maturity of these instruments. The carrying value of the Company's note payable, revolver – noncurrent, and long-term debt, excluding current installments, approximates fair value because the interest rates vary with the market. 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.

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

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Net income (loss) (numerator)	$ (1,601,346)	$ 2,423,087	$ (3,026,620)	$ 3,233,071
Shares (denominator)	7,710,801	7,867,755	7,731,605	7,880,685
Basic and diluted net income (loss) per share	$ (0.21)	$ 0.31	$ (0.39)	$ 0.41

Weighted average unvested shares for the three months and six months ended April 30, 2024 totaling 141,723, while issued and outstanding, were not included in the computation of basic and diluted net loss per share for the three months and six months ended April 30, 2024 (because to include such shares would have been anti-dilutive, or in other words, to do so would have reduced the net loss per share for those periods).

(10) Segment Information and Business and Credit Concentrations

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 normally 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 April 30, 2024 have been adequately provided for in the condensed consolidated financial statements. The Company includes all entities under common ownership for the purpose of calculating business concentrations.

For the three months and six months ended April 30, 2024, 16.3% and 15.9%, respectively, of consolidated net sales were attributable to one national distributor customer. For the three months and six months ended April 30, 2023, 17.7% and 16.3%, respectively, of consolidated net sales were attributable to the same national distributor customer.

The Company has a single reportable segment for purposes of segment reporting.

(11) Revenue Recognition

Revenues consist of product sales that are recognized at a specific point in time under the core principle of recognizing revenue when control transfers to the customer. The Company considers customer purchase orders, governed by master sales agreements or the Company's standard terms and conditions, to be the contract with the customer. For each contract, the promise to transfer the control of the products, each of which is individually distinct, is considered to be the identified performance obligation. The Company evaluates each customer's credit risk when determining whether to accept a contract.

In determining transaction prices, the Company evaluates whether fixed order prices are subject to adjustment to determine the net consideration to which the Company expects to be entitled. Contracts do not include financing components, as payment terms are generally due 30 to 90 days after shipment. Taxes assessed by governmental authorities and collected from the customer including, but not limited to, sales and use taxes and value-added taxes, are not included in the transaction price and are not included in net sales.

The Company recognizes revenue at the point in time when products are shipped or delivered from its manufacturing facility to its customer, in accordance with the agreed-upon shipping terms. Since the Company typically invoices the customer at the same time that performance obligations are satisfied, no contract assets are recognized. The Company's contract liability represents advance consideration received from customers prior to transfer of the product. This liability was $180,431 as of April 30, 2024 and $110,336 as of October 31, 2023.

Sales to certain customers are made pursuant to agreements that provide price adjustments and limited return rights with respect to the Company's products. The Company maintains a reserve for estimated future price adjustment claims, rebates and returns as a refund liability. The Company's refund liability was $133,201 as of April 30, 2024 and $252,264 as of October 31, 2023.

OPTICAL CABLE CORPORATION
Condensed Notes to Condensed Consolidated Financial Statements
Six Months Ended April 30, 2024
(Unaudited)

The Company offers standard product warranty coverage which provides assurance that its products will conform to contractually agreed-upon specifications for a limited period from the date of shipment. Separately-priced warranty coverage is not offered. The warranty claim is generally limited to a credit equal to the purchase price or a promise to repair or replace the product for a specified period of time at no additional charge.

The Company accounts for shipping and handling activities related to contracts with customers as a cost to fulfill its promise to transfer control of the related product. Shipping and handling costs are included in selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations.

The Company incurs sales commissions to acquire customer contracts that are directly attributable to the contracts. The commissions are expensed as selling expenses during the period that the related products are transferred to customers.

Disaggregation of Revenue

The following table presents net sales attributable to the United States and all other countries in total for the three months and six months ended April 30, 2024 and 2023:

	Three months ended April 30,		Six months ended April 30,	
	2024	**2023**	**2024**	**2023**
United States	$ 13,024,311	$ 15,829,216	$ 24,993,866	$ 30,407,301
Outside the United States	3,087,787	3,790,320	5,972,997	7,495,910
Total net sales	$ 16,112,098	$ 19,619,536	$ 30,966,863	$ 37,903,211

(12) 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.

(13) New Accounting Standards Not Yet Adopted

In November 2023, the FASB issued Accounting Standards Update 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 requires enhanced disclosures about significant segment expenses and enhanced disclosures in interim periods. The guidance in ASU 2023-07 will be applied retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023 and interim reporting periods in fiscal years beginning after December 31, 2024, with early adoption permitted. The Company is currently evaluating the impact ASU 2023-07 will have on its financial statement disclosures.

In December 2023, the FASB issued Accounting Standards Update 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). The objective of ASU 2023-09 is to enhance disclosures related to income taxes, including specific thresholds for inclusion within the tabular disclosure of income tax rate reconciliation and specified information about income taxes paid. ASU 2023-09 is effective for public companies starting in annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact ASU 2023-09 will have on its 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

This Form 10-Q 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, 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, including the impact of increased competition; our dependence on a limited number of suppliers for certain product components; the loss of or conflict with one or more key suppliers or customers; an adverse outcome in any litigation, claims, and other actions or disputes, and potential litigation, claims, and other actions or disputes against us or with us; an adverse outcome in any 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, commercial/enterprise, military, industrial, broadcast, mining, petrochemical, renewable energy 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) and import and/or export tariffs imposed by the U.S. and other countries that affect certain geographic markets, industry market sectors, 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 varying 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 affecting fixed-costs coverage and production efficiencies which may impact gross profits and gross profit margins; variations in orders and production volumes of hybrid cables (fiber and copper) with high copper content, which tend to have lower gross profit margins; significant variations in sales resulting from: (i) high volatility within various geographic markets, within targeted markets and industries, for certain types of products, and/or with certain customers (whether related to the market generally or to specific customers' business in particular), (ii) market variations in existing product inventory levels available, generally or in certain markets, impacting sales orders for products, (iii) timing of large sales orders, and (iv) high sales concentration among a limited number of customers in certain markets, particularly the wireless carrier market; terrorist attacks or acts of war, any current or potential future military conflicts, and acts of civil unrest; cold wars and economic sanctions as a result of these activities; changes in the level of spending by the United States government, including, but not limited to military spending; ability to recruit and retain key personnel (including production personnel); poor labor relations; increasing labor costs; delays, extended lead times and/or changes in availability of needed raw materials, equipment and/or supplies; shipping and other logistics challenges; impact of inflation on costs, including raw materials and labor, and ability to pass along any increased costs to customers; impact of rising interest rates increasing the cost of capital; impact of cybersecurity risks and incidents and the related actual or potential costs and consequences of such risks and incidents, including costs and regulations to limit such risks; the impact of data privacy laws, including any applicable international privacy laws, and the related actual or potential costs and consequences; 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; rising healthcare costs; impact of new or changed government laws and regulations on healthcare 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 covenants with our lenders; our continued ability to maintain and/or secure future debt financing and/or equity financing to adequately finance our ongoing operations; 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; 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; direct and indirect impacts of weather, natural disasters and/or epidemic, pandemic or endemic diseases in the areas of the world in which we operate, market our products and/or acquire raw materials including impacts on supply chains, labor constraints impacting our production volumes and costs; any present or future government mandates, travel restrictions, shutdowns or other regulations regarding any epidemic, pandemic or endemic diseases; 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 (collectively, the non-carrier markets), and also the wireless carrier market, offering integrated suites of high quality products which operate as a system solution or seamlessly integrate with other components. Our product offerings include designs for uses ranging from enterprise network, data center, residential, campus and Passive Optical LAN ("POL") installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical, renewable energy and broadcast applications, as well as the wireless carrier market. Our products include fiber optic and copper cabling, hybrid cabling (which includes fiber optic and copper elements in a single cable), fiber optic and copper connectors, specialty fiber optic, copper and hybrid connectors, fiber optic and copper patch cords, pre-terminated fiber optic and copper cable assemblies, racks, cabinets, datacom enclosures, patch panels, face plates, multimedia 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 pioneering the development of innovative copper connectivity technology and designs used to meet industry copper connectivity data communications standards.

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 9001:2015 registered and MIL-STD-790G certified, primarily manufacture our enterprise connectivity products at our Asheville facility which is ISO 9001:2015 registered, and primarily manufacture our harsh environment and specialty connectivity products at our Dallas facility which is ISO 9001:2015 registered and MIL-STD-790G certified.

OCC designs, develops and manufactures fiber optic and hybrid cables for a broad range of enterprise, harsh environment, wireless carrier and other 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, harsh environment and other specialty 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.

OCC's wholly owned subsidiary Centric Solutions LLC ("Centric Solutions") provides cabling and connectivity solutions for the data center market. Centric Solutions' business is located at OCC's facility near Dallas, Texas.

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

Summary of Company Performance for Second Quarter of Fiscal Year 2024

- Consolidated net sales for the second quarter of fiscal year 2024 decreased 17.9% to $16.1 million, compared to $19.6 million for the same period last year, which we believe is consistent with weakness being experienced in our industry generally and in certain of our target markets. Net sales for the second quarter of fiscal year 2024 increased 8.5% compared to $14.9 million for the first quarter of fiscal year 2024.

- Gross profit decreased 40.5% to $4.0 million in the second quarter of fiscal year 2024, compared to $6.8 million for the second quarter of fiscal year 2023, while gross profit increased 8.8% compared to $3.7 million for the first quarter of fiscal year 2024.

- Gross profit margin (gross profit as a percentage of net sales) was 25.1% during the second quarter of fiscal year 2024, compared to 34.6% for the second quarter of fiscal year 2023 and compared to 25.0% for the first quarter of fiscal year 2024.

- SG&A expenses were $5.3 million during the second quarter of fiscal year 2024, compared to $5.7 million for the same period last year. SG&A expenses as a percentage of net sales were 33.0% during the second quarter of fiscal year 2024, compared to 28.9% during the same period in fiscal year 2023 and compared to 34.3% during the first quarter of fiscal year 2024.

- Net loss was $1.6 million, or $0.21 per share, during the second quarter of fiscal year 2024, compared to net income of $2.4 million, or $0.31 per share, for the comparable period last year.

Results of Operations

We sell our products internationally and domestically 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 by the Company and its subsidiaries on a consolidated basis less discounts, refunds and returns. Revenue is recognized at the time product is transferred to the customer (including distributors) at an amount that reflects the consideration expected to be received in exchange for the product. 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 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 and other manufacturing efficiencies are more easily achieved. Hybrid cables (containing 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 income (expense), net consists of royalty income earned on licenses associated with our patented products, net of royalty and related expenses.

Amortization of intangible assets consists of the amortization of the costs, including legal fees, associated with internally developed patents that have been granted. Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives of the intangible assets.

Other income (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 condensed consolidated statements of operations for the periods indicated:

	Three Months Ended April 30,		Percent	Six Months Ended April 30,		Percent
	2024	2023	Change	2024	2023	Change
Net sales	$ 16,112,000	$ 19,620,000	(17.9)%	$ 30,967,000	$ 37,903,000	(18.3)%
Gross profit	4,039,000	6,783,000	(40.5)	7,752,000	13,304,000	(41.7)
SG&A expenses	5,320,000	5,662,000	(6.1)	10,413,000	11,118,000	(6.3)
Income (loss) from operations	(1,301,000)	1,100,000	(218.3)	(2,701,000)	2,146,000	(225.9)
Net income (loss)	(1,601,000)	2,423,000	(166.1)	(3,027,000)	3,233,000	(193.6)

Three Months Ended April 30, 2024 and 2023

Net Sales

Consolidated net sales for the second quarter of fiscal year 2024 decreased 17.9% to $16.1 million, compared to net sales of $19.6 million for the same period last year, and increased 8.5% compared to net sales of $14.9 million during the first quarter of fiscal year 2024. We experienced a decrease in net sales in both our enterprise and specialty markets, including the wireless carrier market, in the second quarter of fiscal year 2024, compared to the same period last year. We believe this is consistent with weakness being experienced in our industry generally and in certain of our target markets.

Net sales to customers in the United States decreased 17.7% and net sales to customers outside of the United States decreased 18.5% in the second quarter of fiscal year 2024, compared to the same period last year. We can experience fluctuations in sales from quarter to quarter in the various markets (both industries and geographies) in which we operate for various reasons.

The second quarter of fiscal year 2023 was positively impacted by our higher-than-typical sales order backlog/forward load of more than $11.0 million that existed at the end of the first quarter of fiscal year 2023, while our sales order backlog/forward load at the end of the first quarter of fiscal year 2024 had returned to more normal levels at approximately $5.0 million. At the end of the second quarter of fiscal year 2024, our sales order backlog/forward load remains at a more typical level of approximately $5.6 million.

Additionally, net sales for the second quarter of fiscal year 2024 were negatively impacted by various macroeconomic pressures, risks and uncertainties in our industry—which we believe is consistent with weakness being experienced in our industry generally. While certain of our markets continue to show signs of softness (including our enterprise and wireless carrier markets), we believe there are positive indicators in certain of our other markets. Overall, we expect our net sales to begin to grow compared to the first half of fiscal year 2024.

Gross Profit

Our gross profit was $4.0 million in the second quarter of fiscal year 2024, a decrease of 40.5% compared to gross profit of $6.8 million in the second quarter of fiscal year 2023, while gross profit during the second quarter of fiscal year 2024 increased 8.8% compared to $3.7 million for the first quarter of fiscal year 2024.

Gross profit margin, or gross profit as a percentage of net sales, was 25.1% in the second quarter of fiscal year 2024 compared to 34.6% in the second quarter of fiscal year 2023 and compared to 25.0% for the first quarter of fiscal year 2024.

Gross profit margin for the second quarter of fiscal 2024 when compared to the same period last year was negatively impacted by lower volumes, as fixed charges were spread over lower sales, as well as decreased plant efficiency, as fewer sales and lower backlog impacted the flow of products through our manufacturing facilities—the impact of operating leverage. 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.

While production volume decreased during the second quarter of fiscal year 2024 compared to the same period last year, we have not implemented reductions in production personnel like others in our industry have done—with various personnel reductions at manufacturers and distributors. Our planned restraint in this regard is consistent with our view of expected opportunities as we continue fiscal year 2024, as well as considering the time it takes to train new production personnel in certain areas of our production operations.

Selling, General, and Administrative Expenses

SG&A expenses decreased to $5.3 million during the second quarter of fiscal year 2024, compared to $5.7 million during the second quarter of fiscal year 2023. SG&A expenses as a percentage of net sales were 33.0% in the second quarter of fiscal year 2024, compared to 28.9% in the second quarter of fiscal year 2023, as fixed SG&A expenses were spread over lower net sales. By comparison, SG&A expenses as a percentage of net sales were 34.3% during the first quarter of fiscal year 2024.

The decrease in SG&A expenses during the second quarter of fiscal year 2024 compared to the same period last year was primarily the result of decreases in employee and contracted sales personnel-related costs totaling $248,000 and shipping costs totaling $108,000. Included in employee and contracted sales personnel-related costs are employee incentives and commissions which decreased due to decreased net sales and the financial results during the second quarter of fiscal year 2024. Shipping costs decreased primarily due to the decrease in net sales.

Royalty Income (Expense), Net

We recognized royalty expense, net of royalty income, totaling $7,000 during the second quarter of fiscal years 2024 and 2023. Royalty expense and/or income may fluctuate based on sales of related licensed products and estimates of amounts for non-licensed product sales, if any.

Amortization of Intangible Assets

We recognized $14,000 of amortization expense, associated with intangible assets, during the second quarter of fiscal years 2024 and 2023.

Income (loss) from operations

We reported a loss from operations of $1.3 million for the second quarter of fiscal year 2024, compared to income from operations of $1.1 million for the second quarter of fiscal year 2023, and compared to a net loss from operations of $1.4 million for the first quarter of fiscal year 2024.

Other Income (Expense), Net

We recognized other expense, net in the second quarter of fiscal year 2024 of $293,000, compared to other income, net of $1.4 million in the second quarter of fiscal year 2023.

Other expense, net for the second quarter of fiscal year 2024 is comprised primarily of interest expense and other miscellaneous items. The change in other expense, net during the second quarter of fiscal year 2024 compared to the same period last year was primarily due to gain on insurance proceeds received in the second quarter of fiscal year 2023 for damage to property and equipment totaling $1.7 million, partially offset by interest expense and other miscellaneous items, that did not recur in fiscal year 2024.

Income (Loss) Before Income Taxes

We reported a loss before income taxes of $1.6 million for the second quarter of fiscal year 2024, compared to income before income taxes of $2.5 million for the second quarter of fiscal year 2023. The change was primarily due to the decrease in gross profit of $2.7 million and gain on insurance proceeds received in the second quarter of fiscal year 2023 for damage to property and equipment of $1.7 million, partially offset by the decrease in SG&A expenses of $343,000.

Income Tax Expense

Income tax expense totaled $7,000 in the second quarter of fiscal year 2024, compared to $75,000 in the second quarter of fiscal year 2023. Our effective tax rate was less than negative one percent for the second quarter of fiscal year 2024 and 3.0% for the second quarter of fiscal year 2023.

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.

We previously established a valuation allowance against all of our net deferred tax assets. As a result of establishing a full valuation allowance against our net deferred tax assets, if we generate sufficient taxable income in subsequent 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. Further, if we generate losses before taxes in subsequent 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 subsequent 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 net income and will also increase the net deferred tax asset on our consolidated balance sheet. If we do not generate sufficient income before taxes in subsequent 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 asset 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.

As of October 31, 2023, the valuation allowance against our total gross deferred tax assets totaled $4.0 million.

Net Income (Loss)

Net loss for the second quarter of fiscal year 2024 was $1.6 million, or $0.21 per share, compared to net income of $2.4 million, or $0.31 per share, for the second quarter of fiscal year 2023. This change was primarily due to the decrease in income before income taxes of $4.1 million, which includes a $1.7 million decrease in gain on insurance proceeds, net.

Six Months Ended April 30, 2024 and 2023

Net Sales

Consolidated net sales for the first half of fiscal year 2024 were $31.0 million, a decrease of 18.3% compared to net sales of $37.9 million for the same period last year. We experienced a decrease in net sales in both our enterprise and specialty markets, including the wireless carrier market, in the first half of fiscal year 2024, compared to the same period last year. We believe this is consistent with weakness being experienced in our industry generally and in certain of our target markets.

Net sales to customers in the United States decreased 17.8% and net sales to customers outside of the United States decreased 20.3% in the first half of fiscal year 2024, compared to the same period last year. We can experience fluctuations in sales from quarter to quarter in the various markets (both industries and geographies) in which we operate for various reasons.

The first half of fiscal year 2023 was positively impacted by our higher-than-typical sales order backlog/forward load of more than $12.0 million that existed at the end of fiscal year 2022, while our sales order backlog/forward load at the end of fiscal year 2023 had returned to more normal levels at approximately $5.4 million. At the end of the first half of fiscal year 2024, our sales order backlog/forward load remains at a more typical level of approximately $5.6 million.

Additionally, net sales for the first half of fiscal year 2024 were negatively impacted by various macroeconomic pressures, risks and uncertainties in our industry—which we believe is consistent with weakness being experienced in our industry generally. While certain of our markets continue to show signs of softness (including our enterprise and wireless carrier markets), we believe there are positive indicators in certain of our other markets. Overall, we expect our net sales to begin to grow compared to the first half of fiscal year 2024.

Gross Profit

Our gross profit was $7.8 million in the first half of fiscal year 2024, a decrease of 41.7% compared to gross profit of $13.3 million in the first half of fiscal year 2023. Gross profit margin was 25.0% in the first half of fiscal year 2024 compared to 35.1% in the first half of fiscal year 2023.

Gross profit margin for the first half of fiscal 2024 was negatively impacted by lower volumes, as fixed charges were spread over lower sales, as well as decreased plant efficiency, as fewer sales and lower backlog impacted the flow of products through our manufacturing facilities—the impact of operating leverage. 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.

While production volume decreased during the first half of fiscal year 2024 compared to the same period last year, we have not implemented reductions in production personnel like others in our industry have done—with various personnel reductions at manufacturers and distributors. Our planned restraint in this regard is consistent with our view of expected opportunities as we continue fiscal year 2024, as well as considering the time it takes to train new production personnel in certain areas of our production operations.

Selling, General, and Administrative Expenses

SG&A expenses decreased 6.3% to $10.4 million during the first half of fiscal year 2024, compared to $11.1 million for the same period last year. SG&A expenses as a percentage of net sales were 33.6% in the first half of fiscal year 2024, compared to 29.3% in the first half of fiscal year 2023, as fixed SG&A expenses were spread over lower net sales.

The decrease in SG&A expenses during the first half of fiscal year 2024 compared to the same period last year was primarily the result of decreases in employee and contracted sales personnel-related costs totaling $459,000 and shipping costs totaling $215,000. Included in employee and contracted sales personnel-related costs are employee incentives and commissions which decreased due to decreased net sales and the financial results during the first half of fiscal year 2024. Shipping costs decreased primarily due to the decrease in net sales.

Royalty Income (Expense), Net

We recognized royalty expense, net of royalty income, totaling $13,000 during the first half of fiscal years 2024 and 2023. Royalty income and/or expense may fluctuate based on sales of related licensed products and estimates of amounts for non-licensed product sales, if any.

Amortization of Intangible Assets

We recognized $27,000 of amortization expense, associated with intangible assets, during the first half of fiscal years 2024 and 2023.

Income (loss) from operations

We reported a loss from operations of $2.7 million for the first half of fiscal year 2024, compared to income from operations of $2.1 million for the first half of fiscal year 2023.

Other Income (Expense), Net

We recognized other expense, net in the first half of fiscal year 2024 of $311,000, compared to other income, net of $1.2 million in the first half of fiscal year 2023. Other expense, net for the first half of fiscal year 2024 is comprised of gain on insurance proceeds totaling $219,000, partially offset by interest expense and other miscellaneous items.

The change in other expense, net during the first half of fiscal year 2024 compared to the same period last year was primarily due to a decrease in gain on insurance proceeds received in the first half of fiscal year 2023 for damage to property and equipment totaling $1.5 million.

Income (Loss) Before Income Taxes

We reported a loss before income taxes of $3.0 million for the first half of fiscal year 2024, compared to income before income taxes of $3.3 million for the first half of fiscal year 2023. The change was primarily due to the decrease in gross profit of $5.6 million and the decrease in gain on insurance proceeds, net of $1.5 million, partially offset by the decrease in SG&A expenses of $705,000.

Income Tax Expense (Benefit)

Income tax expense totaled $14,000 in the first half of fiscal year 2024, compared to $107,000 in the first half of fiscal year 2023. Our effective tax rate was less than negative one percent for the first half of fiscal year 2024 and 3.2% for the first half of fiscal year 2023.

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.

We previously established a valuation allowance against all of our net deferred tax assets. As a result of establishing a full valuation allowance against our net deferred tax assets, if we generate sufficient taxable income in subsequent 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. Further, if we generate losses before taxes in subsequent 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 subsequent 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 net income and will also increase the net deferred tax asset on our consolidated balance sheet. If we do not generate sufficient income before taxes in subsequent 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 asset 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.

As of October 31, 2023, the valuation allowance against our total gross deferred tax assets totaled $4.0 million.

Net Income (Loss)

Net loss for the first half of fiscal year 2024 was $3.0 million, or $0.39 per share, compared to net income of $3.2 million, or $0.41 per share, for the first half of fiscal year 2023. This change was primarily due to the decrease in income before income taxes of $6.4 million, which includes the $1.5 million decrease in gain on insurance proceeds, net.

Financial Condition

Total assets decreased $4.0 million, or 9.1%, to $39.9 million at April 30, 2024, from $43.9 million at October 31, 2023. This decrease was primarily due to a $430,000 decrease in trade accounts receivable, net, and a $2.3 million decrease in inventories. The decrease in trade accounts receivable, net resulted from the decrease in net sales in the second quarter of fiscal year 2024 when compared to the fourth quarter of fiscal year 2023. Inventories decreased largely as the result of the timing of certain raw material purchases as well as lower replenishment rates due to lower sales and the timing of sales of stock inventory.

Total liabilities decreased $1.1 million, or 5.8%, to $18.0 million at April 30, 2024, from $19.2 million at October 31, 2023. The decrease in total liabilities was primarily due to a decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes, totaling $649,000, primarily resulting from the timing of certain vendor and payroll related payments, and net repayments on our Revolver totaling $278,000.

Total shareholders' equity at April 30, 2024 decreased $2.9 million in the first half of fiscal year 2024 resulting primarily from a net loss of $3.0 million.

Liquidity and Capital Resources

Our primary capital needs have been to fund working capital requirements through payments on our Revolver. Our primary source of capital for these purposes has been existing cash, cash provided by operations and borrowings under our Revolver (see "Credit Facilities" below).

Our cash totaled $1.1 million as of April 30, 2024, a decrease of $379,000 compared to $1.5 million as of October 31, 2023. The decrease in cash for the six months ended April 30, 2024 primarily resulted from net cash used in financing activities of $474,000 (including a $278,000 net reduction in our Revolver) and capital expenditures of $236,000, partially offset by cash provided by operating activities of $113,000 and insurance proceeds, net totaling $219,000.

On April 30, 2024, we had working capital of $24.3 million compared to $27.3 million on October 31, 2023. The ratio of current assets to current liabilities as of April 30, 2024 was 4.4 to 1.0, compared to 4.5 to 1.0 as of October 31, 2023. The decrease in working capital and in the current ratio was primarily due to the decrease in cash of $379,000, the decrease in trade accounts receivable, net of $430,000, and the decrease in inventories of $2.3 million, partially offset by the decrease in accounts payable and accrued expenses, including accrued compensation and payroll taxes, totaling $649,000.

As of April 30, 2024 and October 31, 2023, we had outstanding loan balances under our Revolver totaling $8.0 million and $8.3 million, respectively. As of April 30, 2024 and October 31, 2023, we had other outstanding bank loan balances, excluding our Revolver, totaling $2.7 million.

Net Cash

Net cash provided by operating activities was $113,000 in the first half of fiscal year 2024, compared to net cash used in operating activities of $1.5 million for the first half of fiscal year 2023. Net cash provided by operating activities during the first half of fiscal year 2024 primarily resulted from certain adjustments to reconcile a net loss of $3.0 million to net cash provided by operating activities including depreciation and amortization of $431,000 and share-based compensation expense of $251,000. Additionally, the cash flow impact of decreases in accounts receivable, net of $447,000 and decreases in inventories of $2.3 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 $639,000 and an adjustment to reconcile a net loss of $3.0 million to net cash provided by operating activities for gain on insurance proceeds, net totaling $219,000.

Net cash used in operating activities during the first half of fiscal year 2023 primarily resulted from an increase in inventories totaling $3.7 million, the cash flow impact of increases in trade accounts receivable, net totaling $358,000, and an adjustment to reconcile net income of $3.2 million to net cash used in operating activities for the gain on insurance proceeds received for damage to property and equipment totaling $1.7 million, partially offset by certain other adjustments to reconcile net income of $3.2 million to net cash used in operating activities including depreciation and amortization of $497,000 and share-based compensation expense of $290,000.

Net cash used in investing activities totaled $17,000 in the first half of fiscal year 2024, compared to net cash provided by investing activities of $1.5 million in the first half of fiscal year 2023. Net cash used in investing activities during the first half of fiscal year 2024 resulted primarily from purchases of property and equipment and deposits for the purchase of property and equipment totaling $236,000, partially offset by net insurance proceeds of $219,000. Net cash provided by investing activities during the first half of fiscal year 2023 resulted primarily from the net insurance proceeds received for damage to property and equipment totaling $1.7 million, partially offset by purchases of property and equipment and deposits for the purchase of property and equipment totaling $230,000.

Net cash used in financing activities totaled $474,000 for the first half of fiscal year 2024, compared to net cash provided by financing activities of $1.7 million in the first half of fiscal year 2023. Net cash used in financing activities in the first half of fiscal year 2024 resulted primarily from net repayments on our revolving line of credit totaling $278,000. Net cash provided by financing activities in the first half of fiscal year 2023 resulted primarily from net proceeds on our revolving line of credit totaling $2.0 million, partially offset by principal payments on long-term debt totaling $168,000.

Credit Facilities

We have credit facilities consisting of a real estate term loan, as amended and restated (the “Virginia Real Estate Loan”) and a Revolving Credit Master Promissory Note and related Loan and Security Agreement (collectively, the “Revolver”).

The Virginia Real Estate Loan is with Northeast Bank and is payable in monthly installments of principal and interest. Principal is calculated using the unpaid balance of the loan and a two hundred forty (240) month amortization schedule. Interest is computed on the aggregate principal balance outstanding at a rate equal to the Prime Rate, adjusted monthly on the fifth day of each calendar month in accordance with changes to the Prime Rate, provided, however, that the interest rate is never less than 8.5% per annum on the basis of a 360-day year times the actual number of days elapsed. The Prime Rate was 8.5% per annum at April 30, 2024 and October 31, 2023. The maturity date of the Virginia Real Estate Loan is May 5, 2026.

The Loan remains generally secured by a first lien deed of trust on the land and buildings at our headquarters and manufacturing facilities located in Roanoke, Virginia. All other terms of the Virginia Real Estate Loan remain unaltered and remain in full force and effect.

The Company had an outstanding balance on its Virginia Real Estate Loan of $2.7 million, as of April 30, 2024.

The Revolver with North Mill Capital LLC (doing business as SLR Business Credit, “SLR”) provides us with one or more advances in an amount up to: (a) 85% of the aggregate outstanding amount of eligible accounts (the “eligible accounts loan value”); plus (b) the lowest of (i) an amount up to 35% of the aggregate value of eligible inventory, (ii) $5.0 million, and (iii) an amount not to exceed 100% of the then outstanding eligible accounts loan value; minus (c) $1.15 million.

The maximum aggregate principal amount subject to the Revolver is $18.0 million. Interest accrues on the daily balance at the per annum rate of 1.5% above the Prime Rate in effect from time to time, but not less than 4.75% (the “Applicable Rate”). As a result, the Revolver accrued interest at a 10.0% rate at April 30, 2024 and October 31, 2023. In the event of a default, interest may become 6.0% above the Applicable Rate. The termination date of the Revolver is July 24, 2025 and the loan may be extended in one year periods subject to the agreement of SLR.

The Revolver is secured by all of the following assets: properties, rights and interests in property of the Company whether now owned or existing, or hereafter acquired or arising, and wherever located; all accounts, equipment, commercial tort claims, general intangibles, chattel paper, inventory, negotiable collateral, investment property, financial assets, letter-of-credit rights, supporting obligations, deposit accounts, money or assets of the Company, which hereafter come into the possession, custody, or control of SLR; all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing; any and all tangible or intangible property resulting from the sale, lease, license or other disposition of any of the foregoing, or any portion thereof or interest therein, and all proceeds thereof; and any other assets of the Company which may be subject to a lien in favor of SLR as security for the obligations under the Loan Agreement.

As of April 30, 2024, we had $8.0 million of outstanding borrowings on our Revolver and $2.0 million in available credit.

Capital Expenditures

We did not have any material commitments for capital expenditures as of April 30, 2024. During our 2024 fiscal year budgeting process, we included an estimate for capital expenditures of $1.0 million for the fiscal year. We anticipate these expenditures, to the extent made, will be funded out of our working capital, cash provided by operations or borrowings under our Revolver, as appropriate. 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. Additionally, total capital expenditures exceeding $1.0 million per fiscal year would require approval from our lender.

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

Future Cash Flow Considerations

We believe that our future 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

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, and excluding other volatility, we would normally expect 48% of total net sales to occur during the first half of a fiscal year and 52% of total net sales to occur during the second half of a 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 altered during any quarter or year by the quarterly and annual volatility of orders received for the wireless carrier market, 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 various macroeconomic conditions. While we believe seasonality may be a factor that impacts our quarterly net sales results, particularly when excluding the volatility of sales in the wireless carrier market, we are not able to reliably predict net sales based on seasonality because these other factors can also, and often do, 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 condensed consolidated financial statements and accompanying condensed notes that have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Regulation S-X. The preparation of these condensed 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 condensed 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 filed with our Annual Report on Form 10-K for fiscal year 2023 provides a summary of our significant accounting policies. Those significant accounting policies detailed in our fiscal year 2023 Form 10-K did not change during the period from November 1, 2023 through April 30, 2024.

New Accounting Standards

In November 2023, the FASB issued Accounting Standards Update 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 requires enhanced disclosures about significant segment expenses and enhanced disclosures in interim periods. The guidance in ASU 2023-07 will be applied retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023 and interim reporting periods in fiscal years beginning after December 31, 2024, with early adoption permitted. We are currently evaluating the impact ASU 2023-07 will have on our financial statement disclosures.

In December 2023, the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). The objective of ASU 2023-09 is to enhance disclosures related to income taxes, including specific thresholds for inclusion within the tabular disclosure of income tax rate reconciliation and specified information about income taxes paid. ASU 2023-09 is effective for public companies starting in annual periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact ASU 2023-09 will have on our 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.

Item 4. 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.

Our management evaluated, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), the effectiveness of the Company’s disclosure controls and procedures as of April 30, 2024. Based on this evaluation process, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of April 30, 2024, and that there were no changes in the Company’s internal control over financial reporting that occurred during the last fiscal quarter ended April 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5. Other Information

At the end of December 2022, an office building and its contents at the Company’s Asheville facilities sustained water damage resulting from a burst pipe in the sprinkler system, likely due to extreme low temperatures in the area during the days leading up to the event. This office building is separate from the Company’s manufacturing building which houses its manufacturing operations and certain offices at the same location. There was no significant impact to the Company’s operations. The Company has insurance coverage for the office building, its contents and certain business expenses to cover the losses incurred.

During the first half of fiscal year 2024, the Company recognized a gain on insurance proceeds, net for damage to property and equipment totaling $219,000 which is reflected as income under other income (expense), net on the Company’s condensed consolidated statement of operations. To the extent the Company incurs expenses in future periods to restore, repair or replace damaged assets, it may recognize offsetting losses in those future periods. At this time, the Company does not expect any future restoration and repair costs to exceed any insurance proceeds.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Index

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 effective October 15, 2010 (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).
3.4	Amended and Restated Bylaws of Optical Cable Corporation effective March 9, 2023 (incorporated herein by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the first quarter ended January 31, 2023).
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	Corrected Credit Line Deed of Trust dated June 4, 2008 between Optical Cable Corporation as Grantor, LeClairRyan as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina, successor by merger with 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).
4.4	Corrected 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 Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina, successor by merger with 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).
4.5	Term Loan B Note in the amount of $5,271,411 by Optical Cable Corporation dated April 26, 2016, for the benefit of Northeast Bank as of July 15, 2021, as successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) (incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K/A filed May 3, 2016).

PART II. OTHER INFORMATION

4.6	Modification of Credit Line Deed of Trust dated April 26, 2016 by and between Optical Cable Corporation (successor by merger to Superior Modular Products Incorporated) as Grantor, Andrew B. Agee (in substitution of LeClairRyan) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) as Beneficiary, modifying that certain Corrected Credit Line Deed of Trust dated June 4, 2008 (incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
4.7	Modification of Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated April 26, 2016 by and between Optical Cable Corporation (successor by merger to Superior Modular Products Incorporated) as Grantor, Andrew B. Agee (in substitution of LeClairRyan) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) as Beneficiary, modifying that certain Corrected Deed of Trust, Security Agreement and Assignment of Leases and Rents dated May 30, 2008 (incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K/A filed May 3, 2016).
4.8	Second Modification of Credit Line Deed of Trust dated May 2, 2018 by and between Optical Cable Corporation (successor by merger to Superior Modular Products Incorporated) as Grantor, W. Todd Ross (in substitution of LeClairRyan) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) as Beneficiary, modifying that certain Modification of Credit Line Deed of Trust dated April 26, 2016, which previously modified that certain Corrected Credit Line Deed of Trust dated June 4, 2008 (incorporated herein by reference to Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the second quarter ended April 30, 2018).
4.9	Second Modification of Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated May 2, 2018 by and between Optical Cable Corporation (successor by merger to Superior Modular Products Incorporated) as Grantor, W. Todd Ross (in substitution of LeClairRyan) as Trustee and Northeast Bank, successor in interest to Pinnacle Bank (successor by merger with Bank of North Carolina) as Beneficiary, modifying that certain Modification of Deed of Trust, Security Agreement, and Assignment of Leases and Rents dated April 26, 2016, which previously modified that certain Corrected Deed of Trust, Security Agreement and Assignment of Leases and Rents dated May 30, 2008 (incorporated herein by reference to Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the second quarter ended April 30, 2018).
4.10	Loan and Security Agreement dated July 24, 2020 by and among Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC, and North Mill Capital LLC (now doing business as SLR Business Credit) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed July 30, 2020).
4.11	Revolving Credit Master Promissory Note dated July 24, 2020 by Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC in favor of North Mill Capital LLC (now doing business as SLR Business Credit) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed July 30, 2020).

PART II. OTHER INFORMATION

4.12	Payoff Letter from Pinnacle Bank to North Mill Capital LLC (now doing business as SLR Business Credit) and Optical Cable Corporation (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K filed July 30, 2020).
4.13	Amended and Restated Stockholder Protection Rights Agreement, dated as of November 2, 2021, between Optical Cable Corporation and American Stock Transfer & Trust Company, LLC, as rights agent (incorporated herein by reference to Exhibit 4.1 to the Company’s Form 8-A12G/A filed with the Commission on November 5, 2021).
4.14	Modification Agreement dated as of July 5, 2022, by and between North Mill Capital LLC (now doing business as SLR Business Credit) and Optical Cable Corporation along with its subsidiaries Applied Optical Systems, Inc., and Centric Solutions LLC (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed July 7, 2022).
4.15	Omnibus Amendment of Loan Documents dated October 31, 2023 by and between Optical Cable Corporation and Northeast Bank (incorporated herein by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed November 3, 2023).
10.1*	Optical Cable Corporation 2017 Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s definitive proxy statement on Form 14A filed March 13, 2017).
10.2*	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).
10.3*	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).
10.4*	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 11, 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 17, 2014).
10.5*	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).

PART II. OTHER INFORMATION

10.6*	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).
10.7*	Second Amendment, effective March 14, 2014, to Amended and Restated Employment Agreement by and between Optical Cable Corporation and Tracy G. Smith effective April 11, 2011, as amended December 18, 2012 (incorporated herein by reference to Exhibit 10.22 of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2014 filed March 17, 2014).
10.8*	Form of vesting award agreement for non-employee Board members under the Optical Cable Corporation 2017 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.21 of the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2017 filed June 13, 2017).
10.9*	Form of operational performance (Company financial performance measure) vesting award agreement under the Optical Cable Corporation 2017 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the period ended October 31, 2021 filed December 20, 2021).
10.10*	First Amendment to the Optical Cable Corporation 2017 Stock Incentive Plan effective March 29, 2022 (incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the period ended July 31, 2022 filed September 12, 2022).
11.1	Statement regarding computation of per share earnings (incorporated by reference to note 9 of the Condensed Notes to Condensed Consolidated Financial Statements contained herein).
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. FURNISHED 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. FURNISHED HEREWITH.
97	Optical Cable Corporation Compensation Recovery Policy, effective November 30, 2023 (incorporated herein by reference to Exhibit 97 of the Company's Annual Report on Form 10-K for the period ended October 31, 2023 filed December 19, 2023).
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at April 30, 2024 and October 31, 2023, (ii) Condensed Consolidated Statements of Operations for the three months and six months ended April 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Shareholders' Equity for the three months and six months ended April 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 2024 and 2023, and (v) Condensed Notes to Condensed Consolidated Financial Statements. FILED HEREWITH.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Management contract or compensatory plan or agreement.

SIGNATURES

Pursuant to the requirements 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
(Registrant)

Date: June 10, 2024	/s/ Neil D. Wilkin, Jr. Neil D. Wilkin, Jr. Chairman of the Board of Directors, President and Chief Executive Officer
Date: June 10, 2024	/s/ Tracy G. Smith Tracy G. Smith Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q 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 controls over financial reporting, or caused such internal controls 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: June 10, 2024

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

Exhibit 31.2

CERTIFICATION

I, Tracy G. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 controls over financial reporting, or caused such internal controls 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: June 10, 2024

/s/ Tracy G. Smith
Tracy G. Smith
Senior Vice President and
Chief Financial Officer

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 Quarterly Report of Optical Cable Corporation (the "Company") on Form 10-Q for the quarter ended April 30, 2024 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 presents, in all material respects, the financial condition and results of operations of the Company as of April 30, 2024, and for the period then ended.

Date: June 10, 2024

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

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 Quarterly Report of Optical Cable Corporation (the “Company”) on Form 10-Q for the quarter ended April 30, 2024 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 presents, in all material respects, the financial condition and results of operations of the Company as of April 30, 2024, and for the period then ended.

Date: June 10, 2024

/s/ Tracy G. Smith
Tracy G. Smith
Senior Vice President and
Chief Financial Officer